

Skymission Group Holdings Limited

天任集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1429

SHARE OFFER

Sponsor and Joint Bookrunner



Alliance Capital Partners Limited
同人融資有限公司

Joint Bookrunners and Joint Lead Managers



時富證券
Celestial Securities



一盈證券有限公司
I WIN SECURITIES LTD.



利高證券
LEE GO SECURITIES

Joint Lead Managers



博威環球證券
Blackwell Global Securities



CONRAD
INVESTMENT SERVICES



利源證券有限公司
Grand Partners Securities Limited

IMPORTANT

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

Skymission Group Holdings Limited 天任集團控股有限公司

(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

Total number of Offer Shares : 400,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares : 40,000,000 Shares (subject to re-allocation)
Number of Placing Shares : 360,000,000 Shares (subject to re-allocation and the Over-allotment Option)
Offer Price : Not more than HK\$0.44 per Offer Share and expected to be not less than HK\$0.35 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 1429

Sponsor and Joint Bookrunner



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同人融資有限公司

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利盟證券有限公司
Grand Partners 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 paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. 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 final Offer Price is expected to be fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Friday, 18 September 2020 and in any event, not later than Monday, 21 September 2020. The Offer Price will be not more than HK\$0.44 per Share and is currently expected to be not less than HK\$0.35 per Share, unless otherwise announced.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our Company's consent, reduce the number of Offer Shares under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.skymission.group not later than the morning of the last day for lodging applications under the Public Offer. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Monday, 21 September 2020, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus. Pursuant to the Public Offer Underwriting Agreement, the Joint Bookrunners has the right in certain circumstances to terminate the obligations of the Public Offer Underwriter at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" in this prospectus.

15 September 2020

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.skymission.group** and the Stock Exchange at **www.hkexnews.hk** under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Tuesday, 15 September 2020 until 12:00 noon on Friday, 18 September 2020 at the following locations:

1. any of the following branches of the receiving bank for the Public Offer:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Central District (Wing On House) Branch	B/F-2/F, Wing On House 71 Des Voeux Road Central Hong Kong
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza 23-29 Jordan Road Kowloon
New Territories	Tuen Mun Town Plaza Branch	Shop 2 Tuen Mun Town Plaza phase II Tuen Mun New Territories

IMPORTANT

2. any of the following offices of the Joint Bookrunners:

Alliance Capital Partners Limited	Room 1502–1503A, Wing On House 71 Des Voeux Road Central Central Hong Kong
Celestial Securities Limited	22/F Manhattan Place, 23 Wang Tai Road Kowloon Bay Kowloon Hong Kong
I Win Securities Limited	Room 1916, Hong Kong Plaza 188 Connaught Road West, Sai Wan Hong Kong
Lee Go Securities Limited	Unit 02, 12/F West Exchange Tower 322 Des Voeux Road Central Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Details of where printed prospectus may be obtained will be displayed prominently at every designated branch of Bank of China (Hong Kong) Limited where White Application Forms are distributed.

During normal business hours from 9:00 a.m. on Tuesday, 15 September 2020, until 12:00 noon on Friday, 18 September 2020, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in the section headed “How to apply for the Public Offer Shares” in the prospectus.

EXPECTED TIMETABLE

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (www.skymission.group).

2020⁽¹⁾

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

Application Forms available from..... 9:00 a.m. on Tuesday , 15 September

Latest time to complete electronic applications

under the **HK eIPO White Form** service through
one of the following two ways⁽²⁾:

(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 Friday, 18 September

Application lists open⁽³⁾ 11:45 a.m. on Friday, 18 September

Latest time to lodge **WHITE** and **YELLOW** Application

Forms and to give **electronic application instructions**

to HKSCC⁽⁴⁾..... 12:00 noon on Friday, 18 September

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

applications by effecting internet banking transfer(s) or

PPS payment transfer(s)⁽²⁾ 12:00 noon on Friday, 18 September

Application lists close⁽³⁾ 12:00 noon on Friday, 18 September

Expected Price Determination Date⁽⁵⁾ Friday, 18 September

(a) Announcement of the final Offer Price, the indication of
level of interest in the Placing, the results of applications
in the Public Offer and the basis of allocation under the
Public Offer to be published (i) on the website of our
Company at www.skymission.group; and (ii) on the
website of the Stock Exchange at www.hkexnews.hk on

or before⁽⁶⁾ ⁽¹⁰⁾ Monday, 28 September

EXPECTED TIMETABLE

2020⁽¹⁾

(b) Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares – 11. Publication of results" from⁽¹⁰⁾ Monday, 28 September

A full announcement of the Public Offer containing (a) and (b) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.skymission.group⁽⁷⁾ ⁽¹⁰⁾ Monday, 28 September

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult or "Allotment Result" function in the **IPO App** with a "search by ID" function on⁽¹⁰⁾ Monday, 28 September

Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁸⁾ ⁽¹⁰⁾ Monday, 28 September

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁹⁾ ⁽¹⁰⁾ Monday, 28 September

Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on ⁽¹⁰⁾ Tuesday, 29 September

<p>The application for the Public Offer Shares will commence on Tuesday, 15 September 2020 through Friday, 18 September 2020. The gap between the closing date of the application lists and the Listing Date is longer than the usual market practice of six calendar 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 Monday, 28 September 2020. Prospective investors should be aware that the Price Determination Date is expected to be on or about Friday, 18 September 2020, on which the Offer Price is determined and, in any event, no later than Monday, 21 September 2020 and the dealings in Shares on the Stock Exchange are expected to commence on Tuesday, 29 September 2020.</p>
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EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your 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 you have already submitted your application and obtained a payment reference number from the designated website or the **IPO App** prior to 11:30 a.m., you 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.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above or extreme conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 18 September 2020, the application lists will not open and close on that day. Please refer to the section headed “How to apply for the 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 Friday, 18 September 2020, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares – 6. Applying by giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 18 September 2020 and in any event, not later than Monday, 21 September 2020. If, for any reason, the final Offer Price is not agreed by 6:00 p.m. on Monday, 21 September 2020 between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.
6. The announcement will be available for viewing on the “Main Board – Allotment of results” page on the website of the Stock Exchange at **www.hkexnews.hk**.
7. None of the information contained on any website forms part of this prospectus.
8. Applicants who apply for 1,000,000 Public Offer Shares or more and have provided all information required in your Application Form may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our 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 Monday, 28 September 2020 or any other date as notified by us in the newspapers as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

EXPECTED TIMETABLE

9. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.
10. In case a typhoon warning signal no.8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, 15 September, 2020 to Tuesday, 29 September, 2020, then the day of (i) announcement of results of allocations in the Public Offer; (ii) despatch of share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange will be postponed and an announcement will be made in such event.

Share certificates are expected to be issued on Monday, 28 September 2020 but will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. 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.

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. 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 section headed “Definitions” in this prospectus.

OVERVIEW

We are an established formwork works subcontractor in Hong Kong with an operating history of over 20 years. Our Group has a deep-rooted presence and positions ourselves as one of the major subcontractors in the formwork works industry in Hong Kong. During the Track Record Period, our Group predominantly provided traditional formwork to our customers by using timber and plywood. For part of the formwork works in our three projects during the Track Record Period, our Group has applied system formwork by using aluminium formwork which is more environmentally friendly materials for the repeated structure of the buildings.

During FY2017, FY2018, FY2019 and FY2020, we generated approximately HK\$440.1 million, HK\$415.3 million, HK\$505.2 million and HK\$434.6 million in revenue from 20, 23, 29 and 37 projects, respectively, comprising the entirety of our revenue of each of the respective years. Based on the project nature, our projects can be categorised into (i) building construction projects and (ii) civil engineering projects. The following table sets out our revenue and gross profit during the Track Record Period by reference to the nature of our projects:

	FY2017			FY2018			FY2019			FY2020		
	No. of projects <small>(Note 3)</small>	Revenue <small>HK\$'000</small>	%	No. of projects <small>(Note 3)</small>	Revenue <small>HK\$'000</small>	%	No. of projects <small>(Note 3)</small>	Revenue <small>HK\$'000</small>	%	No. of projects <small>(Note 3)</small>	Revenue <small>HK\$'000</small>	%
Building construction ^(Note 1)	15	248,684	56.5	18	331,789	79.9	22	489,234	96.8	31	360,964	83.1
Civil engineering ^(Note 2)	5	191,440	43.5	5	83,534	20.1	7	15,954	3.2	6	73,660	16.9
Total	20	440,124	100	23	415,323	100	29	505,188	100	37	434,624	100

SUMMARY

	FY2017		FY2018		FY2019		FY2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Building construction	27,666	11.1	36,169	10.9	86,043	17.6	64,077	17.8
Civil engineering	26,039	13.6	20,958	25.1	2,459	15.4	15,170	20.6
Total	53,705	12.2	57,127	13.8	88,502	17.5	79,247	18.2

Notes:

1. Building construction projects involve the erection of residential buildings, commercial buildings and/or institutional buildings.
2. Civil engineering projects involve the construction of infrastructure.
3. The number of projects is determined based on the number of projects for which revenue was recognised during the relevant financial year.

The revenue attributable to civil engineering projects decreased from approximately HK\$191.4 million in FY2017 to approximately HK\$83.5 million in FY2018 and further to approximately HK\$16.0 million in FY2019. The decrease was due to (i) the decrease in aggregate revenue generated from sizeable civil engineering projects including Project TMB-21, Project TMB-32 and Project TMB-44 from approximately HK\$188.8 million in FY2017 to approximately HK\$72.3 million in FY2018 and further to approximately HK\$3.1 million in FY2019, which resulted from the completion of these projects during FY2018 and FY2019; and (ii) following the completion of some of the Ten Major Infrastructure Projects and the absence of large-scale construction projects introduced by the Government, only four civil engineering projects, with an aggregate original contract sum of approximately HK\$29.1 million, were awarded to us and commenced the site works in FY2017, FY2018 and FY2019. During FY2020, the revenue derived from civil engineering projects increased to approximately HK\$73.7 million, which was mainly attributable to the commencement of the site works for Project TMB-87, from which we derived revenue of approximately HK\$65.0 million for FY2020.

Our gross profit margin in building construction projects remained stable at approximately 11.1% and 10.9% for FY2017 and FY2018, respectively. For FY2019 and FY2020, we derived higher gross profit margin in building construction projects of approximately 17.6% and 17.8%, respectively. The relatively higher gross profit margin of approximately 17.6% for FY2019 was primarily attributable to the relatively higher gross profit derived from the public building projects, such as Project TMB-52, Project TMB-53 and Project TMB-70 as a result of the repeated use of construction materials. Our gross profit margin in building construction projects then remained stable at approximately 17.8% for FY2020 and the gross profit was mainly contributed by Project TMB-70, Project TMB-75 and Project TMB-84, in aggregate of approximately HK\$38.8 million.

On the other hand, we derived significantly higher gross profit margin from civil engineering projects for FY2018 and FY2020, which was mainly attributable to the relatively

SUMMARY

higher gross profit derived from Project TMB-32 for FY2018 and Project TMB-58 and Project TMB-87 for FY2020, respectively. We recorded gross profit of approximately HK\$12.5 million and gross profit margin of approximately 19.3% from Project TMB-87 for FY2020, as we had set a relatively higher contract rate as compared to our other civil engineering projects taking into account the higher waterproof requirements of this project in relation to the structural works of a balancing tank and its ancillary facilities to increase the sewerage capacity for Drainage Services Department as our Directors considered the relevant works required more techniques and exposed to more risks; we also recorded gross profit of approximately HK\$1.9 million and gross profit margin of approximately 43.0% from Project TMB-58 for FY2020, for which we have reused our construction materials.

The formwork works projects undertaken by us originated from both public sector (including projects where the ultimate customers of the projects are Government departments and statutory bodies) and private sector (including projects where the ultimate customers of the projects are not Government departments or statutory bodies). The revenue and gross profit attributable to public sector projects and private sector projects by provision of formwork works during the Track Record Period were as follows:

	FY2017			FY2018			FY2019			FY2020		
	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%
Public sector ^(Note 1)	6	91,173	20.7	9	124,771	30.0	15	225,270	44.6	14	202,798	46.7
Private sector ^(Note 2)	14	348,951	79.3	14	290,552	70.0	14	279,918	55.4	23	231,826	53.3
Total	20	440,124	100	23	415,323	100	29	505,188	100	37	434,624	100

	FY2017		FY2018		FY2019		FY2020	
	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %	Gross profit margin HK\$'000	Gross profit margin %
Public sector	26,280	28.8	20,864	16.7	70,442	31.3	40,602	20.0
Private sector	27,425	7.9	36,263	12.5	18,060	6.5	38,645	16.7
Total	53,705	12.2	57,127	13.8	88,502	17.5	79,247	18.2

Notes:

- Public sector projects include those projects where the ultimate customers are Government departments and/or statutory bodies.
- Private sector projects include projects where the ultimate customers are not Government departments nor statutory bodies.
- The number of projects is determined based on the number of projects for which revenue was recognised during the relevant financial year.

SUMMARY

Our revenue decreased from approximately HK\$505.2 million for FY2019 to approximately HK\$434.6 million for FY2020, mainly due to the following reasons:

- (i) Our Group recognised a decrease in revenue from private sector projects of approximately HK\$48.1 million although we recorded revenue from more private sector projects for FY2020, which was mainly because (i) our Group has completed all 11 remaining private sector projects awarded to our Group prior to 1 April 2019 during FY2020, as such, our Group only generated approximately HK\$45.2 million from these 11 remaining projects for FY2020 as compared to approximately HK\$279.0 million for FY2019; and (ii) our Group generated approximately HK\$186.6 million from 12 projects which were awarded to our Group during FY2020. Although our Group completed all 11 remaining private sector projects awarded to us prior to 1 April 2019 and commenced 12 newly awarded private sector projects during FY2020, nine out of these 12 newly awarded projects were commenced in around November 2019 to January 2020, and hence a relatively less revenue was recognised from our private sector projects during FY2020. The decrease in revenue from our private sector projects for FY2020 was generally in line with the drop in the number of newly completed private residential units as well as the floor area of newly completed commercial space in Hong Kong in 2019, comparing with those of 2018; and
- (ii) Our Group recorded a decrease in revenue from public sector projects for FY2020 as compared to FY2019, which was mainly because we recorded less revenue from a number of public building projects, in particular, Project TMB-52, Project TMB-53, Project TMB-54 and Project TMB-70. The decrease in revenue from our building construction projects was generally in line with the drop in number of newly completed public housing units in Hong Kong from 2018 to 2019.

Our Group recorded relatively lower gross profit margin from private sector projects of approximately 7.9% and 6.5% for FY2017 and FY2019, respectively. For FY2017, such lower gross profit margin from private sector projects was mainly attributable to (i) Project TMB-21, in which we incurred relatively higher direct labour costs due to the unexpected delay in the project progress; and (ii) Project TMB-50, in which we incurred relatively higher direct labour costs as our workers worked overtime under tight schedule, and our workers were paid higher wages for overtime. For FY2019, the relatively lower gross profit margin from private sector projects was mainly attributable to (i) relatively higher direct labour costs incurred for Project TMB-63, Project TMB-67 and Project TMB-76 as we had to coordinate and share the limited working space of these congested construction sites with other subcontractors who were responsible for other works, as such, the construction process of these three projects was inevitably prolonged and we therefore incurred more direct labour costs; and (ii) Project TMB-69, a private project involved a repetitive floor plan in a multi-storey building, for which we charged a thinner gross profit margin due to keen competition for such type of projects in the market.

SUMMARY

We have completed 40 formwork works projects during the Track Record Period with an aggregate original contract sum amounting to approximately HK\$1,688.0 million. All of our works were project-based. Our Directors estimate that the aggregate outstanding contract value was approximately HK\$726.0 million as the Latest Practicable Date. For details, please refer to the section headed “Business – Our projects” in this prospectus.

Our Group is registered as a registered subcontractor under the Registered Specialist Trade Contractors Scheme. For details of our licences and qualifications, please refer to the section headed “Business – Our licences and permits” in this prospectus.

OUR CUSTOMERS

Our customers are primarily the main contractors of various types of building construction or civil engineering projects in Hong Kong, including main contractors engaged by private property developers or developers employed by the government or public transport operators for civil engineering projects. The number of customers with revenue contribution to us was nine, 10, 12 and 13 for FY2017, FY2018, FY2019 and FY2020, respectively. Meanwhile, our largest customer accounted for approximately 30.5%, 35.7%, 40.2% and 41.2% of our total revenue and our five largest customers in aggregate accounted for approximately 97.6%, 92.1%, 98.9% and 93.8% of our total revenue, respectively. According to the Ipsos Report, such customer concentration is common in the construction industry in Hong Kong. For details, please refer to the section headed “Business – Our customers” in this prospectus.

OUR SUPPLIERS

Our suppliers can be largely categorised as: (i) suppliers of construction materials; (ii) subcontractors and services; (iii) metal scaffold equipment rental suppliers; and (iv) transportation service providers. We evaluate suppliers taking into account their pricing, suitability of their goods, environmental compliance or services, reputation and amount of past business within the industry and their track record as our supplier. Based on these factors, we select and maintain an internal list of approved suppliers and such list is updated on a continuous basis. During the Track Record Period, we mainly engaged our own site workers to carry out the formwork works which enabled us to maintain a better project management and quality control, especially under tight project deadlines. However, subject to the project schedule and our available manpower, we may engage subcontractors to carry out some of the site works under the close supervision and management of our project management team. For FY2017, FY2018, FY2019 and FY2020, our Group’s purchases from its largest supplier was approximately 24.7%, 31.8%, 29.6% and 39.1% of our purchase costs, respectively, while our purchases from the five largest suppliers accounted for approximately 61.6%, 76.3%, 72.2% and 78.7% of our purchase costs, respectively. For details, please refer to the section headed “Business – Our suppliers” in this prospectus.

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COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

According to the Ipsos Report, due to increasing demand for residential as well as commercial buildings, coupled with the Government's initiatives to increase housing supply in Hong Kong, the gross output value of the formwork works industry in Hong Kong increased from HK\$3,381.8 million in 2013 to HK\$5,706.6 million in 2019, at a CAGR of 9.1%. Over the forecast period, the gross output value is expected to increase from approximately HK\$5,711.7 million in 2020 to approximately HK\$5,968.7 million in 2023. With the fall-off of public expenditure on infrastructure and the slowdown of the growth of overall construction and building construction works industries, the formwork works industry is forecasted to grow at a slower rate at a CAGR of approximately 1.5% from 2020 to 2023. The expected slower growth of the formwork works industry is partially due to the slow down of the growing labour costs in the industry, which in turn, might lead to a moderate growth to the contract value of construction projects. In addition, the outbreak of COVID-19 is expected to slow down the formwork works industry from 2020 to 2021. Nevertheless, the gross output value is supported by the upcoming development plans and existing construction projects. With increasing demand for housing units and according to the 2016 Policy Address, the Government has taken initiatives to increase housing supply in recent years and will continue to increase land usage for commercial and economic activity. The Government's initiative to increase residential as well as commercial buildings will fuel the building construction industry growth, which in turn will drive formwork works industry in Hong Kong.

Our Directors believe that our competitive strengths include (i) being the subcontractor of established and reputable contractors in Hong Kong; (ii) having strong relationships with our customers and suppliers; (iii) having an experienced and professional management team; (iv) having a large pool of operational staff to carry out our formwork works services; and (v) possessing our own metal scaffold equipment and related parts to minimise the reliance on equipment suppliers. It will enable us to maintain our position as one of the active market players in our business segments in the formwork works industry in Hong Kong. Details of our Group's competitive strengths are set out in the section headed "Business – Competitive strengths" in this prospectus.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our market position, increase our market share and capture the growth in the formwork works industry in Hong Kong. We intend to achieve this objective by adopting the following implementation plan: (i) further enhancing our financial position for the purpose of securing additional and large-scale formwork works projects and expanding our capability to offer system formwork works services; (ii) increasing our stock of metal scaffold equipment and related parts; and (iii) further strengthening our manpower to cope with our business development. For details of our business strategies, please refer to the section headed "Business – Business strategies" in this prospectus.

SUMMARY

PRINCIPAL RISK FACTORS

Our Directors believe that there are certain risks and uncertainties involved in our operations. Some of the material risks include: (i) our business relies on successful tenders of formwork works projects which are non-recurrent in nature; (ii) a significant portion of our revenue during the Track Record Period was attributable to the contracts and work orders awarded by a limited number of customers; (iii) we rely on key management personnel; (iv) our project performance may be affected by the shortage of labour; (v) we make estimation of the project price based on our estimated time and costs in our tenders; (vi) any significant increase in construction material costs and/or the occurrence of any substandard construction materials may have adverse impacts on our financial results; and (vii) our historical results may not be indicative of our future performance.

Further details of the risks we are exposed to are set out in the section headed “Risk factors” in this prospectus. Potential investors are advised to read the section headed “Risk factors” carefully before making any investment decision in the Offer Shares.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period:

	FY2017 or as at 31 March 2017	FY2018 or as at 31 March 2018	FY2019 or as at 31 March 2019	FY2020 or as at 31 March 2020
<i>(Expressed in HK\$'000 except for selected key financial ratios, tender success rate and movement of backlog)</i>				
Result of operations				
Revenue	440,124	415,323	505,188	434,624
Cost of services	(386,419)	(358,196)	(416,686)	(355,377)
– Direct labour	(313,697)	(285,239)	(356,980)	(230,515)
– Construction materials	(40,603)	(51,013)	(36,015)	(77,392)
– Subcontracting charges	(16,086)	(5,193)	(6,305)	(31,723)
– Metal scaffold equipment rental	(8,540)	(7,718)	(5,723)	(5,160)
– Others	(7,493)	(9,033)	(11,663)	(10,587)
Gross profit	53,705	57,127	88,502	79,247
Profit before tax	46,931	49,835	77,579	48,862
Profit and total comprehensive income for the year	38,977	41,754	64,476	38,006
Profit and total comprehensive income attributable to:				
Owners of the Company	38,981	41,754	64,476	38,006
Non-controlling interests	(4)	–	–	–
Cash flows				
Operating cash flows before change in working capital	50,105	54,360	84,190	56,578
Change in working capital	6,392	(36,368)	(26,554)	(50,632)
Income tax paid	(780)	(3,165)	(7,621)	(9,751)
Finance cost paid	(23)	(39)	(48)	(176)
Net cash from (used in) operating activities	55,694	14,788	49,967	(3,981)
Net cash used in investing activities	(5,213)	(10,139)	(1,286)	(25)

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	FY2017	FY2018	FY2019	FY2020
	or as at	or as at	or as at	or as at
<i>(Expressed in HK\$'000 except for selected key financial ratios, tender success rate and movement of backlog)</i>	31 March 2017	31 March 2018	31 March 2019	31 March 2020
Net cash (used in) from financing activities	(17,424)	(21,031)	(44,344)	13,945
Net increase (decrease) in cash and cash equivalents	33,057	(16,382)	4,337	9,939
Financial position				
Total current assets	128,174	146,214	170,175	332,023
Total current liabilities	(65,184)	(63,752)	(54,571)	(174,677)
Net current assets	62,990	82,462	115,604	157,346
Total equity	72,495	97,249	125,725	163,731
Equity attributable to owners of the Company	72,621	97,249	125,725	163,731
Non-controlling interests	(126)	-	-	-
Selected key financial ratios ^(Note 1)				
Return on equity (%)	53.8	42.9	51.3	23.2
Return on total assets (%)	28.1	25.7	35.6	11.2
Interest coverage ratio (times)	N/A	N/A	N/A	441.8
Current ratio (times)	2.0	2.3	3.1	1.9
Quick ratio (times)	2.0	2.3	3.1	1.9
Gearing ratio (%)	25.0	8.4	0.6	9.3
Trade receivables turnover days	8.7	4.5	6.9	63.0
Trade receivables turnover days (including contract assets)	74.6	87.0	89.2	173.1
Trade payables turnover days	6.0	5.8	5.4	41.6
Tender success rate				
Number of tenders submitted	65	67	94	165
Number of contracts awarded	11	9	11	16
Success rate (%) ^(Note 2)	16.9	13.4	12.1	13.9
Movement of backlog				
Value of backlog as at the opening day (HK\$ million)	408.3	572.5	468.5	236.0
New projects secured and contract value awarded during the year (HK\$ million) ^(Note 3)	604.3	311.3	272.7	577.0
Revenue recognised during the year (HK\$ million) ^(Note 4)	(440.1)	(415.3)	(505.2)	(434.6)
Value of backlog as at the closing day (HK\$ million)	572.5	468.5	236.0	378.4

Notes:

- For details of the calculation of selected key financial ratios, please refer to the section headed “Financial information – Selected key financial ratios” in this prospectus.
- Success rate for a financial year was calculated based on the number of successful tenders (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year. The calculation has excluded the tenders submitted but pending results as at the Latest Practicable Date. Out of the tenders submitted during the Track Record Period, three and 50 tenders submitted in FY2019 and FY2020, with the aggregate tender amount of approximately HK\$936.6 million and HK\$2,546.0 million, have not expired and were pending result as at the Latest Practicable Date.
- It refers to the total contract sum of new projects (taking into account adjustments and variation orders) and the movements of contract value of existing projects as at the end of the relevant financial year which were awarded to us during the relevant financial year.
- It refers to the value of contract work recognised as revenue during the relevant financial year.

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We recorded a decrease in net profit of approximately HK\$26.5 million for FY2020, which was mainly due to (i) the non-recurring Listing expenses of approximately HK\$18.1 million incurred during FY2020; and (ii) the decrease in our gross profit of approximately HK\$9.3 million, which was primarily resulted from the decrease in revenue and gross profit from our building construction projects for FY2020.

We also recorded net operating cash outflow of approximately HK\$4.0 million for FY2020 because our payment in operating activities exceeded the cash receipt from customers, which was mainly resulted from: (i) payment for cost of services such as construction material costs, direct labour costs and subcontracting charges incurred for several sizeable projects commenced during the second half of FY2020, in particular, the aggregate cash outflow for Project TMB-84 and Project TMB-87 during FY2020 amounted to approximately HK\$71.2 million; (ii) despite substantial portion of works performed for these sizeable projects for the period, some of the corresponding payment applications submitted during FY2020 were certified and settled after FY2020, in particular, the aggregate cash receipt from Project TMB-84 and Project TMB-87 was only approximately HK\$55.4 million during FY2020; (iii) longer time taken by our customers to process our payment applications and arrange settlement due to the work-from-home arrangement during the outbreak of COVID-19; and (iv) payment for Listing expenses increased by approximately HK\$4.2 million for FY2020 as compared to that for FY2019. Due to the nature of our business operations, our customers make progress payments to us according to our work progress while we have already incurred substantial upfront costs on materials and labour at the beginning of the projects. However, for the purpose of improving our cash flow position in view of net cash outflow from operating activities for FY2020, our Group will enhance the internal credit risk management, including but not limited to making weekly call with our customers to understand the progress and status of payment certification and settlement after the week of submitting payment application, sending payment reminders and statements of outstanding balance more frequently and meeting with our customers every month for overdue trade receivables. As at the Latest Practicable Date, approximately 97.5%, which amounted to approximately HK\$135.0 million, of our trade receivables as at 31 March 2020 was subsequently settled.

We recorded a relatively low gearing ratio of approximately 0.6% as at 31 March 2019, which was a combined effect of (i) the decrease in the amount due to Mr. Leung from approximately HK\$8.2 million as at 31 March 2018 to approximately HK\$0.7 million as at 31 March 2019; and (ii) the significant increase in our total equity of approximately 29.3% as at 31 March 2019 as compared to 31 March 2018. Our gearing ratio increased from 0.6% as at 31 March 2019 to approximately 9.3% as at 31 March 2020, which was mainly due to the significant increase in interest-bearing borrowings of approximately HK\$15.1 million as at 31 March 2020.

Our trade receivables turnover days remained stable for FY2017, FY2018 and FY2019, and increased significantly from approximately 6.9 days for FY2019 to approximately 63.0 days for FY2020, which was mainly attributable to the significant increase of approximately HK\$126.9 million in our trade receivables as at 31 March 2020 as compared to 31 March 2019, owing to (i) the balance of trade receivables of certain projects including Project TMB-53, Project

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TMB-70, Project TMB-75, Project TMB-76, Project TMB-84, Project TMB-87 and Project TMB-90, with an aggregate amount of approximately HK\$111.6 million; and (ii) the longer time taken by our customers to settle the trade receivables as a result of work-from-home arrangement during the outbreak of COVID-19. Our trade receivables aged over 90 days increased significantly from approximately HK\$412,000 as at 31 March 2019 to approximately HK\$47.1 million as at 31 March 2020. As at the Latest Practicable Date, approximately 97.5%, which amounted to approximately HK\$135.0 million, of our trade receivables as at 31 March 2020 was subsequently settled. For the subsequently settled amount, approximately HK\$42.7 million represented the settlement of our trade receivables aged over 90 days (based on the date of payment applications). This also accounted for approximately 90.6% of our trade receivables aged over 90 days (based on the date of payment applications) as at 31 March 2020.

Our trade receivables turnover days (including contract assets) remained stable for FY2017, FY2018 and FY2019, and increased significantly from approximately 89.2 days for FY2019 to approximately 173.1 days for FY2020. Such significant increase was mainly attributable to (i) the increase in trade receivables as mentioned above; and (ii) the increase in our unbilled revenue as at 31 March 2020 of approximately HK\$20.4 million, which was a combined effect of (i) an increased balance in associate with Project TMB-84 and Project TMB-87 with an aggregate amount of approximately HK\$66.6 million as a result of the substantial works performed and corresponding payment applications submitted in March 2020, for which the payment certificates were issued subsequent to 31 March 2020; and (ii) the longer time taken by our customers to process and certify our payment applications during the outbreak of COVID-19.

Please refer to the section headed “Financial information” in this prospectus for a detailed discussion and analysis of our financial information.

We secure all of our projects through invitation for tendering. For FY2017, FY2018, FY2019 and FY2020, our tender success rate was approximately 16.9%, 13.4%, 12.1% and 13.9%, respectively. For details, please refer to the section headed “Business – Operation flow – 4. Award of contract” in this prospectus.

As at 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and the Latest Practicable Date, the outstanding contract value was approximately HK\$572.5 million, HK\$468.5 million, HK\$236.0 million, HK\$378.4 million and HK\$726.0 million, respectively. For details of the movement of our backlog, please refer to the section headed “Business – Our projects – Movement of our backlog” in this prospectus.

OUR SHAREHOLDERS

Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option) and the Capitalisation Issue, Sky Mission, a company wholly-owned by Mr. Leung, will directly hold 75% of the total number of issued Shares. For the purpose of the Listing Rules, each of Mr. Leung and Sky Mission is our Controlling Shareholder on the basis that (i) Sky Mission is

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entitled to exercise 30% or more of the voting power at general meetings of our Company; and (ii) Mr. Leung holds 100% interest in Sky Mission and so controls the voting power of Sky Mission in our Company. Mr. Leung is also the chairman of our Board and an executive Director. For details, please refer to the sections headed “Relationship with our Controlling Shareholders” and “Directors and senior management – Directors” in this prospectus.

OCCUPATIONAL HEALTH AND SAFETY

During the Track Record Period and up to the Latest Practicable Date, there were a total number of 36 reported personal injury accidents and one fatal accident which involved our employees and employees of our subcontractors on our construction sites in the ordinary course of our business. In April 2019, a fatal accident occurred at a construction site under which our Group was engaged as a subcontractor to provide formwork works services. One construction worker, being an employee of our Group, sustained a fatal injury during the course of work. It was suspected that the formwork inside the lift shafts had collapsed and fallen on the worker which resulted in a fatal injury at the construction site (the “**Accident**”). For further details, please refer to the section headed “Business – Fatal accident” in this prospectus. For the years of 2016, 2017, 2018 and 2019, our Group’s accident rate per 1,000 workers was approximately 27.2, 26.5, 29.1 and 15.6, respectively, and our Group’s fatality rate per 1,000 workers was nil, nil, nil, and approximately 3.9, respectively. Our Group’s lost time injury frequency rate was approximately 8.2, 8.1, 8.9 and 5.9 for the years of 2016, 2017, 2018 and 2019, respectively. For further details of our enhanced internal control measures in relation to safety, please refer to the section headed “Business – Non-compliances – Enhanced internal control measures” in this prospectus.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, we had been involved in a number of claims, litigations, pending or threatened claims against our Group. The claims against us typically relate to (i) employees’ compensation cases; (ii) personal injury cases; and (iii) summons under the Factories and Industrial Undertakings Ordinance and the Occupational Safety and Health Ordinance. Our Directors are of the view that occurrences of such claims are not uncommon in our industry. As at all material times, our Directors were not named as defendants or potential defendants in the litigations or potential litigations against our Group, and our Directors had no personal involvement in these litigations and would not be personally held liable. For details, please refer to the section headed “Business – Litigation and claims” in this prospectus.

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LEGAL COMPLIANCE

As a result of the Accident, Temmex Brothers was convicted under six summonses (the “**Summonses**”) issued under the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) on 17 January 2020. Our Legal Counsel is of the view that, in light of the conviction under the Summonses, Temmex Brothers’ registration as a registered specialist trade contractor (the “**CIC Registration**”) is highly likely to be suspended for up to six months based on previous regulatory actions taken by the Construction Industry Council. Nonetheless, in the event that Temmex Brothers is suspended of its CIC Registration arising from the Accident, Ipsos and our Legal Counsel are of the view that, given that Temmex and Temmex Brothers are separate legal entities, such suspension record for Temmex Brothers would not adversely affect our Group’s (i) existing contracts on hand; and (ii) future chances of securing projects requiring the CIC Registration. For further details of the Accident, please refer to the section headed “Business – Fatal accident” in this prospectus.

Furthermore, during the Track Record Period and up to the Latest Practicable Date, there were non-compliance incidents by our operating subsidiaries with certain safety related laws and regulations in Hong Kong, including (a) six improvement notices served on our operating subsidiaries; (b) failure by our operating subsidiaries to appoint a registered safety auditor to conduct safety audit for not less than once in each six months in relation to 14 relevant construction projects; and (c) failure by our operating subsidiaries to appoint a safety review officer to conduct safety review for not less than once in each six months in relation to five relevant construction projects. In addition, there were also other non-compliance incidents by our operating subsidiaries with certain laws and regulations in Hong Kong, such as (i) the Mandatory Provident Fund Schemes Ordinance; (ii) the Inland Revenue Ordinance; and (iii) the Employment Ordinance.

Save for the potential suspension of the CIC Registration arising from the Accident, such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial condition and/or our operations. For details of the non-compliance incidents, please refer to the section headed “Business – Non-compliances” in this prospectus.

OFFERING STATISTICS

	Based on an Offer Price of HK\$0.35 HK\$	Based on an Offer Price of HK\$0.44 HK\$
Market capitalisation (assuming the Over-allotment Option is not exercised)	560 million	704 million
Unaudited pro forma adjusted combined net tangible assets of our Group per Share ^(Note)	0.17	0.19

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Notes:

- (1) The calculation of the market capitalisation of our Company is based on 1,600,000,000 Shares in issue immediately following the completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,600,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of shares of the Share Offer without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.
- (3) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent on 31 March 2020.

LISTING EXPENSES

Our Directors expect that our total Listing expenses, which are non-recurring in nature, will amount to approximately HK\$60.0 million, representing approximately 38.0% of the gross proceeds from the Share Offer (assuming the Offer Price of HK\$0.395 per Offer Share; being the mid-point of the indicative Offer Price range stated in this prospectus). Out of the amount of approximately HK\$60.0 million, (i) approximately HK\$35.2 million is directly attributable to the issue of the Offer Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$2.1 million and HK\$18.1 million were recognised in our combined statements of profit and loss and other comprehensive income for FY2019 and FY2020, respectively; and (iii) approximately HK\$4.6 million would be further recognised in our combined statements of profit or loss and other comprehensive income for FY2021 upon the Listing.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$0.395, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Share Offer and the Over-allotment Option is not exercised, our Group estimates that the aggregate net proceeds to our Company from the Share Offer will be approximately HK\$98.0 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$59.6 million, representing approximately 60.8% of the net proceeds from the Share Offer, will be used for (i) the payment of certain upfront costs and expenses, such as deposits for construction materials, costs of metal scaffold equipment rental, transportation and subcontracting charges; and (ii) the acquisition cost for aluminium formwork to be used in system formwork, for our future projects we are tendering for;
- approximately HK\$21.2 million, representing approximately 21.6% of the net proceeds from the Share Offer, will be used for increasing our stock of metal scaffold equipment and related parts;

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- approximately HK\$8.8 million, representing approximately 9.0% of the net proceeds from the Share Offer, will be used for further strengthening our manpower; and
- approximately HK\$8.4 million, representing approximately 8.6% of the net proceeds from the Share Offer, will be used as general working capital of our Group.

For details, please refer to section headed “Future plans and use of proceeds – Use of proceeds” in this prospectus. For details of our reasons for the Listing, please refer to the section headed “Future plans and use of proceeds – Reasons for the Listing” in this prospectus.

DIVIDENDS

For FY2017, FY2018, FY2019 and FY2020, dividends of HK\$14.0 million, HK\$17.0 million, HK\$36.0 million and nil, respectively, were declared and paid to our then shareholders by our internal resources. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, business plans, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Our Company does not have any predetermined dividend payout ratio.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, our Group generated approximately HK\$140.7 million in revenue for the four months ended 31 July 2020, representing an increase of approximately HK\$49.8 million or 54.8% as compared to the same period in 2019. This was mainly attributable to the increase in revenue recognised from Project TMB-87, Project TMB-90 and Project TMB-100, in aggregate of approximately HK\$48.5 million. We recorded relatively less revenue for the four months ended 31 July 2019 as we generated less revenue from a number of private sector projects during this period, in particular Project TMB-67 and Project TMB-69, which contributed a significant portion of revenue to our Group in FY2019. We also recorded an increase in our gross profit by approximately HK\$5.5 million to approximately HK\$20.6 million for the four months ended 31 July 2020 as compared to the same period in 2019. The said revenue and gross profit amounts are extracted from the unaudited management accounts of our Group and have been reviewed by our Company’s Reporting Accountants, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Notwithstanding our Group recorded a relatively less revenue for the four months ended 31 July 2019 due to project cycle, as compared with a significant increase in our revenue of approximately 54.8% for the four months ended 31 July 2020, our Directors forecast that our Group will achieve a flat growth in full year revenue for FY2021 as compared to the full year revenue for FY2020 having considered the progress of the on-going projects.

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Our Directors expect that the forecasted net profit for FY2021 (excluding Listing expenses) will decrease as compared to that for FY2020 (excluding Listing expenses). Our Directors also expect an increase in estimated administrative and other operating expenses resulting from (i) an increase in staff costs due to more personnel to be recruited for supporting our Group's business expansion and daily operation after the Listing; and (ii) an increase in salary and remuneration to our Directors and staff.

Taking into account (i) the relatively stable CAGR from 2020 to 2023 of approximately 1.5% for the gross output value of formwork works industry in Hong Kong and (ii) the estimated revenue recognised from ongoing projects in our backlog and relatively high chance tenders submitted, the revenue for FY2021 is expected to remain stable as compared to that of FY2020. Our Directors estimate that the aggregate outstanding contract value was approximately HK\$726.0 million as at the Latest Practicable Date, among which, approximately HK\$227.3 million and HK\$498.7 million are expected to be recognised during FY2021 and the period after FY2021, respectively. 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.

MATERIAL ADVERSE CHANGE

Our Directors expect that the forecasted net profit for FY2021 (excluding Listing expenses) will decrease as compared to that for FY2020 (excluding Listing expenses). Save for (i) the potential decrease in financial performance for FY2021 due to an increase in estimated administrative and other operating expenses; and (ii) the total expenses for the Listing estimated to be approximately HK\$60.0 million, of which approximately HK\$4.6 million will be recorded in our Group's profit and loss for FY2021, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2020 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 March 2020 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN FOR CUSTOMER F

Customer F represents a group of four subsidiaries of a public company listed in Hong Kong. Customer F has been one of our five largest customers during the Track Record Period. Customer F accounted for approximately 17.5%, 18.6% and 16.4% of our revenue for FY2018, FY2019 and FY2020, respectively. According to the latest interim report of the listed company available on the website, the listed company incurred a net loss of approximately HK\$499.6 million for the six months ended 30 September 2019 and the listed company's current liabilities exceeded its current assets by approximately HK\$4,621.4 million as at 30 September 2019.

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References are made to the announcements made by the listed company on 24 March 2020 and 6 April 2020 that the listed company forewarned of its prospective inability to repay aggregate principal and interest of approximately HK\$470 million on 31 March 2020. The listed company announced that on 1 April 2020, a bank issued a further demand for the HK\$470 million, and on account of the failure to repay, accelerated its demand for all additional principal and interest under the 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 neither the borrowing entity (a wholly-owned subsidiary of the listed company), nor the listed company (as guarantor) can repay at this time. The listed company has applied to the bank for a 'standstill', in essence seeking assurances from the bank that it will not take imminent steps either to enforce its security over its assets or to liquidate the listed company, and envisages working closely with the bank to achieve an orderly divestment of the listed company's interests in its assets.

References are made to the announcements made by the listed company on 26 June 2020 and 28 July 2020, the listed company announced that, based on the unaudited consolidated financial information of one of the listed company's subsidiary (a major subsidiary comprising Customer F) for FY2020, the profit and total comprehensive income for the year of the subsidiary was approximately HK\$35 million and HK\$24 million, respectively; the revenue of the subsidiary was approximately HK\$10,982 million and the secured new contracts of the subsidiary in aggregate value were about HK\$15,770 million. As at 31 March 2020, the non-current assets and current assets of the subsidiary at 31 March 2020 were approximately HK\$333 million and HK\$5,155 million respectively, whereas the non-current liabilities and current liabilities of the subsidiary at 31 March 2020 were approximately HK\$70 million and HK\$4,603 million respectively. The net assets of the subsidiary as at 31 March 2020 was approximately HK\$815 million; the total value of contracts on hand of the subsidiary was about HK\$44,307 million and the value of works remaining of the subsidiary was approximately HK\$26,633 million.

SUMMARY

During and after the Track Record Period, we have completed four projects and one project with Customer F respectively. As at Latest Practicable Date, there were two projects in our backlog with Customer F. As at 31 March 2020, the outstanding revenue to be recognised was expected to be approximately HK\$41.6 million. The following table sets forth details of the three abovementioned projects, which were still on-going as at 31 March 2020:

Our completed project with Customer F after the Track Record Period and up to the Latest Practicable Date

Project code	Brief description of the site	Nature of project	Public/ private sector	Project Period (Note 1)	Original	Revenue derived from		Expected
					contract sum (Note 2)	the project for	the project for	revenue to be recognised from the project for the period from 1 April 2020 to the Latest Practicable Date
					HK\$'000	FY2019 HK\$'000	FY2020 HK\$'000	HK\$'000
TMB-85	Private residential in Kai Tak	Building construction	Private	November 2019 to April 2020	2,932	-	2,641	446
Total:					<u>2,932</u>	<u>-</u>	<u>2,641</u>	<u>446</u>

Notes:

1. The project period represents the duration of our works with reference to the commencement date and completion date of the relevant project based on the dates of the first and last interim payment applications submitted to our customers.
2. The original contract sum is based on the initial agreement between our customer and us and may not include additions, modifications and cancellation due to subsequent variation orders, and therefore final revenue recognised from a contract may differ from the contract sum.

SUMMARY

Our projects with Customer F in backlog as at the Latest Practicable Date

Project code	Brief description of the site	Nature of project	Public/private sector	Project Period (Note 1)	Total contract sum (Note 2)	Revenue derived from the project for		Expected revenue to be recognised from the project for the period from 1 April 2020 to the Latest Practicable Date	Expected revenue to be recognised from the project for the period from the Latest Practicable Date to 31 March 2021	Expected revenue to be recognised from the project for the period after 31 March 2021
						FY2019	FY2020	HK\$'000	HK\$'000	HK\$'000
TMB-75	Public residential in Fanling	Building construction	Public	November 2018 to September 2020	90,947	17,678	57,625	14,277	1,367	-
TMB-104	Public residential in Hung Hom	Building construction	Public	August 2020 to October 2021	25,500	-	-	1,890	12,597	11,013
Total:					<u>116,447</u>	<u>17,678</u>	<u>57,625</u>	<u>16,167</u>	<u>13,964</u>	<u>11,013</u>

Notes:

- The expected project period represents the duration of our works with reference to the commencement date and the expected completion date based on our management's best estimates according to the expected completion dates specified in the relevant contracts (if any), the extension period granted by customers (if any), and the actual work schedule up to the Latest Practicable Date.
- The total contract sum represents the original estimated contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contract and other updated information provided by the relevant customer.
- It represents our best estimation based on factors including the original contract sum, the estimated completion date specified in the relevant contracts, variation orders received and work progress as at the Latest Practicable Date.

SUMMARY

Our Group recorded trade receivables of approximately HK\$16.6 million and HK\$12.0 million from Customer F as at 31 March 2020 and 31 July 2020, respectively. As at the Latest Practicable Date, all and approximately 55.9% (which amounted to approximately HK\$16.6 million and HK\$6.7 million respectively) of the trade receivables from Customer F as at 31 March 2020 and 31 July 2020, respectively, were subsequently settled. The unbilled revenue (as part of contract assets) due from Customer F as at 31 March 2020 and 31 July 2020 amounted to approximately HK\$5.1 million and HK\$2.8 million, respectively. As at the Latest Practicable Date, all of the balances of the unbilled revenue as at 31 March 2020 and 31 July 2020 were transferred to trade receivables, and all and nil (which amounted to approximately HK\$5.1 million and nil respectively) of such balances were settled, respectively. Having taken into accounts the progress of the construction works, the historical and current past due status and subsequent settlement information, our Directors considered that there was no significant deterioration in credit risk assessment on Customer F and therefore no impairment is needed specifically for outstanding contracts assets and trade receivables from Customer F as at 31 March 2020 and up to the Latest Practicable Date.

Having considered, up to the Latest Practicable Date, (i) the above-mentioned high level of subsequent settlement of trade receivables as at 31 March 2020 from Customer F; (ii) that no cancellation, significant delay or suspension has been encountered by our Group for the five completed projects during Track Record Period and up to Latest Practicable Date and two ongoing projects with Customer F; (iii) no significant delay in payment of any amounts due from Customer F; and (iv) the unaudited consolidated financial information of the subsidiary comprising Customer F for FY2020, nothing has come to our Directors' attention that the material uncertainty relating to going concern for the listed company would have material adverse impact on our business and financial performance, and we will continue to provide formwork services to Customer F.

As at the Latest Practicable Date, we have submitted 21 tenders with Customer F and are pending results, representing approximately 14.4% of our total tender value of projects undergoing tendering process and still pending results. Having considered the above-mentioned high level of subsequent settlement of trade receivables from Customer F, our Directors are of the view that our Group shall maintain same level of relationship with Customer F and continue to capture potential business opportunities with Customer F. To avoid any possible impact on our Group's business operations, we will strengthen our internal control in relations to credit risks. In the forthcoming projects with Customer F, we will carefully monitor their settlement status, including but not limited to making weekly call to understand the progress and status of payment certification and settlement after the week of submitting the payment application, sending payment reminders and statement of outstanding balance more frequently and arranging meeting every month for overdue trade receivables.

Meanwhile, our Directors believe that even when all our customers are financially sound, our Group should continue to explore potential business opportunities to generate more revenue and profits and to minimise reliance on any customer. Therefore, we have been actively approaching new customers and expanding our client base. For FY2017, FY2018, FY2019 and FY2020, our revenue was generated from nine, 10, 12 and 13 customers, respectively, with a

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growth trend of our customer diversity. With a larger customer base, we will result in higher business volume and be able to generate larger profits.

Our Directors are of the view that the ranking of the customers comprising our top five customers differed in each of FY2017, FY2018, FY2019 and FY2020, indicating that our Group did not place substantial reliance on any particular one of them for revenue generation. Meanwhile, in order to reduce our reliance on limited number of customers, we will continue to submit tenders to new potential customers in the future.

OUTBREAK OF COVID-19

The recent occurrence of COVID-19 in Hong Kong since January 2020 has increased uncertainties to the economy in Hong Kong in 2020. COVID-19 has also caused a number of Legislative Council meetings to be cancelled or adjourned. Out of the 16 scheduled meetings of the Public Works Subcommittee of Legislative Council between February 2020 and May 2020, five of them were cancelled due to the outbreak of COVID-19. Our Directors are of the view that the adjournment will cause projects pending approval to accumulate and project funding to delay. According to the Ipsos Report, growth of the gross output value is expected to decelerate as most of the Ten Major Infrastructure Projects will have been completed and the impact of outbreak of COVID-19 is expected to slow down the formwork works industry growth rate from 2020 to 2021.

In view of the outbreak of COVID-19 in Hong Kong, our Group had adopted a contingency plan for pandemic outbreak in January 2020 to protect our workers from the outbreaks of infectious diseases. Such preventive measures include, but not limited to, the temperature screening at entry of construction sites, hand sanitising, personal protection control (respiratory protection) and environmental disinfection to all potentially contaminated surfaces or items. For further details regarding preventive measures taken in our construction sites, please refer to the section headed “Business – Occupational Health and Safety – Hygienic working environment” in this prospectus.

Our Directors confirm that (i) we have continued the formwork works for all our on-going projects since the outbreak of COVID-19 and been able to fulfil our obligations under all existing contracts; and (ii) we have not been notified by our customers that any of our on-going projects would be suspended or cancelled due to the outbreak of COVID-19 in Hong Kong.

Although as at the Latest Practicable Date, none of our projects was suspended or cancelled due to the outbreak of COVID-19 in Hong Kong. However, if the situation becomes worse and causes any of our on-going projects to be suspended or cancelled and/or delay in supply of construction materials from our suppliers, we may not be able to fulfil our contractual obligations with our customers. According to the Ipsos Report, it is common that under the main contract entered into between the main contractor and the employer, the main contractor is entitled to extend the completion date of the project under circumstances such as COVID-19. Our Directors believe that once our customers are granted an extension of time, we are able to

SUMMARY

apply for the same extension of time to avoid any potential liquidated damages to be imposed on us for delay or suspension of the on-going projects.

Our Directors prudently estimate that, as a result of work-from-home arrangement during the outbreak of COVID-19, issuance of interim payment certificates by customers and settlement of trade receivables might take a longer time. Our trade receivables turnover days (including contract assets) increased from approximately 89.2 days for FY2019 to approximately 173.1 days for FY2020. Such significant increase was mainly attributable to (i) the increase in trade receivables; and (ii) the increase in our unbilled revenue as at 31 March 2020, which was a combined effect of (i) an increased balance of Project TMB-84 and Project TMB-87 resulted from the substantial works performed and corresponding payment applications submitted in March 2020, for which the payment certificates were issued subsequent to 31 March 2020; and (ii) longer time taken by our customers to process and certify our payment applications during the outbreak of COVID-19. In view of the business relationships with and reputation of our customers, our Directors believe that it is unlikely that our customers would default in payment. In addition, as confirmed with our major suppliers, there is no material adverse impact on the supply of construction materials due to the outbreak of COVID-19, including but not limited to, unit price, material availability and delivery schedule.

Although as at the Latest Practicable Date, we did not record any employees/workers failing to report duty due to the infection of COVID-19 and our Directors are of the view that our business operation has not experienced material adverse impact as a result of the outbreak of COVID-19, our Directors nonetheless expect that the forecasted net profit for FY2021 (excluding Listing expenses) will decrease as compared to that for FY2020 (excluding Listing expenses) as mentioned above. Our Directors will closely monitor the market conditions and review our Group's business performance and strategies in light of the potential adverse impact brought by the outbreak of COVID-19. Our Directors also confirm that our Company will not use the net proceeds from the Share Offer amid the outbreak of COVID-19 in Hong Kong for other purposes other than the expansion plan as stated in the section headed "Future plans and use of proceeds" in this prospectus.

Hypothetical contingency plan

According to the Ipsos Report, it is expected that the outbreak of COVID-19 will lead to a decrease in the full year revenue of the overall construction industry and building construction works industry in Hong Kong in 2020 with reference to the impact of epidemics, such as SARS in 2003, on the gross value of overall construction works performed by main contractors in Hong Kong. Based on the latest publicly available information, it is expected that the impact of the outbreak of COVID-19 towards the overall construction industry and building construction works industry in Hong Kong is less severe than that of the SARS outbreak. For instance, the current unemployment rate in the construction industry is lower than unemployment rate in the construction industry during the SARS outbreak. According to the Census and Statistics Department, the unemployment in the construction industry from March 2020 to May 2020 was 10.8% while that from March 2003 to May 2003 was 19.4%. In addition, the relief package offered by the Government during the outbreak of COVID-19 is larger than that during the

SUMMARY

SARS outbreak. The relief package launched during the outbreak of COVID-19 was equivalent to approximately 10% of GDP in 2019 while the relief package launched during SARS outbreak was only equivalent to approximately 1% of GDP in 2003. With these public statistics, the impact of COVID-19 outbreak on the construction industries is expected to be less severe, comparing with the situation during the SARS outbreak. However, the actual situation is subject to a number of factors, including but not limited to the outbreak extent and duration of the outbreak of COVID-19.

Our Company has prepared the following hypothetical contingency plan to the extreme situation if the outbreak of COVID-19 and/or potential recession has become severe in Hong Kong which results in temporary suspension of formwork works at our Group's construction sites.

Key assumptions are set out below:

- (i) all construction sites are temporary suspended and our Group will not generate any income from all on-going projects;
- (ii) the settlement of trade receivables are prudent estimates based on historical patterns but all payments to suppliers and outstanding trade payables are settled within the credit timeframe;
- (iii) the expansion plan as stated in the section headed "Future plans and use of proceeds" is delayed;
- (iv) save as staff costs incurred at head office, no other staff costs incurred for all construction projects;
- (v) full time staff, including operational and administrative staff, are encouraged to apply unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred;
- (vi) all necessary routine expenditure and payments, including staff costs at head office and repayment of borrowings, lease liabilities and interest expenses are paid on a monthly basis;
- (vii) all executive Directors undertake to delay receiving directors' remuneration;
- (viii) minimal operating and administrative costs will be incurred to maintain our Group's operation at minimum level (including utility expenses, fees to be incurred as a listed company such as annual listing fee, annual audit fee, financial reports and compliance adviser fee);

SUMMARY

- (ix) save as existing borrowings, available banking facilities of HK\$5 million and further tax loans, no further internal or external financing from shareholders or financial institutions; and
- (x) no further dividend to be declared and paid.

If there is temporary suspension of formwork works at our Group's construction sites, our expansion plan as stated in the section headed "Future plans and use of proceeds" will be delayed; and the relevant portion of the net proceeds from the Share Offer will be earmarked for the implementation of the expansion plan when our customers resume the construction works and the business of our Group resumes to normal level. Based on our Group's balance of cash and cash equivalents of approximately HK\$30.1 million as at 31 July 2020 and having considered the approximate 8.6% of net proceeds to be received from the Share Offer upon Listing as general working capital, and after deducting the remaining listing expenses to be paid and settlement of amount due to Mr. Leung and related companies upon Listing, our Group will have sufficient financial resources to maintain the necessary routine expenditure and payments (including (i) staff costs at our head office; (ii) other operating and administrative costs to maintain the operation at minimum level; and (iii) repayment of borrowings (including existing term loans and further tax loans), lease liabilities and interest expenses) under such hypothetical situation for no less than 36 months.

The abovementioned extreme situation may or may not occur. The abovementioned analysis are for illustrative purpose only. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development, therefore it is a possibility that such impact to our Group may be out of our Director's control and beyond our knowledge.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report included in Appendix I to this prospectus
“Affiliate(s)”	with respect to any specified person, any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 7 September 2020 to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
“associates(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands

DEFINITIONS

“Capitalisation Issue”	the issue of 1,199,998,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Company – 6. Written resolutions of our sole Shareholder passed on 7 September 2020” in Appendix IV to this prospectus
“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 individual or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “PRC”	The People’s Republic of China, which excludes, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

DEFINITIONS

“Company”	Skymission Group Holdings Limited (天任集團控股有限公司) (formerly known as Skymission (Global) Group Holdings Limited (天任(環球)集團控股有限公司)), a company incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2019 under the Companies Law
“Compliance Committee”	the compliance committee of the Board
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Industry Council” or “CIC”	the Construction Industry Council of Hong Kong
“Construction Workers Registration Ordinance”	the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, collectively refers to Sky Mission and Mr. Leung, who, together, will control the exercise of 30% or more of the voting power at general meetings of our Company immediately after the Share Offer
“COVID-19”	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterised especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure
“Deed of Indemnity”	the deed of indemnity dated 7 September 2020 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), the particulars of which are set out in the paragraph headed “E. Other information – 8. Tax and other indemnities” in Appendix IV to this prospectus
“Director(s)”	director(s) of our Company
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ESG Committee”	the environmental, social and governance committee of the Board
“Everbright”	Everbright Construction Engineering Holding Limited, a company incorporated in the BVI on 18 July 2019 with limited liability and wholly owned by our Company
“Evergreen”	Evergreen Construction Development Holding Limited, a company incorporated in the BVI on 18 July 2019 with limited liability and wholly owned by our Company
“Evergrow”	Evergrow Construction Equipment Holding Limited, a company incorporated in the BVI on 18 July 2019 with limited liability and wholly owned by our Company
“extreme conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major land slides or large-scale power outage after super typhoon as announced by the Government
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“FY2016”	the financial year ended 31 March 2016
“FY2017”	the financial year ended 31 March 2017
“FY2018”	the financial year ended 31 March 2018
“FY2019”	the financial year ended 31 March 2019
“FY2020”	the financial year ended 31 March 2020
“FY2021”	the financial year ending 31 March 2021
“GDP”	Gross Domestic Product
“Government”	the Government of the Hong Kong Special Administrative Region

DEFINITIONS

“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider, designated by our Company
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries
“Hard Underwriting Agreement”	the hard underwriting agreement dated 14 September 2020 entered into between our Company and IWSL, pursuant to which IWSL agreed to assume, on a fully underwritten basis, an underwriting commitment to subscribe, or procure subscribers to subscribe, for an aggregate amount of HK\$140.0 million, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – Hard Underwriting Agreement” in this prospectus
“HK eIPO White Form”	the application for issue of Public Offer Shares in the applicant’s own name by submitting applications online through the designed website at www.hkeipo.hk or 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 the IPO App
“HK\$” or “Hong Kong dollar(s)” or “HKD” and cent(s)	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Housing Authority”	the Hong Kong Housing Authority, a statutory body established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong)
“Independent Third Party(ies)”	individual(s) or company(ies) who is (or are) not a connected person (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates
“Inland Revenue Ordinance” or “IRO”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Ipsos”	Ipsos Asia Limited, an independent market research firm
“Ipsos Report”	an independent market research report in respect of the construction industry in Hong Kong, prepared by Ipsos which was commissioned by our Company
“IWSL” or “Stabilising Manager”	I Win Securities Limited
“Joint Bookrunners”	Alliance Capital Partners Limited, Celestial Securities Limited, I Win Securities Limited and Lee Go Securities Limited
“Joint Lead Managers”	Celestial Securities Limited, I Win Securities Limited, Lee Go Securities Limited, Blackwell Global Securities Limited, Conrad Investment Services Limited and Grand Partners Securities Limited
“Kennex”	Kennex Scaffolding Systems Co., Limited (建力通架系統有限公司), a company incorporated in Hong Kong on 23 March 2015 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of stage (4) of the Reorganisation

DEFINITIONS

“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	7 September 2020, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“Legal Counsel”	Mr. Poon, Billy C.K., barrister-at-law advising on certain aspects of Hong Kong law relating to our Group’s operations, who is an Independent Third Party
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Mandatory Provident Fund Schemes Ordinance” or “MPFSO”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 7 September 2020 to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“MPF Authority”	the Mandatory Provident Fund Schemes Authority

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“Mr. Leung”	Mr. Leung Yam Cheung (梁任祥) (formerly known as Leung Wah Fei (梁華飛)), an executive Director, the chairman of our Board, one of our Controlling Shareholders and the father of Mr. WC Leung and Mr. WH Leung
“Mr. WC Leung”	Mr. Leung Wing Chun (梁榮進), an executive Director, a son of Mr. Leung and a brother of Mr. WH Leung
“Mr. WH Leung”	Mr. Leung Wing Hoi (梁榮海), an executive Director, a son of Mr. Leung and a brother of Mr. WC Leung
“Occupational Safety and Health Ordinance”	the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.44 and not less than HK\$0.35 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined as described under the section headed “Structure and conditions of the Share Offer – Pricing and allocation – Determining the Offer Price” in this prospectus
“Offer Share(s)”	the Public Offer Share(s) and the Placing Share(s)
“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 60,000,000 additional Offer Shares representing up to 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocations in the Placing, if any, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Shares”	the 360,000,000 Shares initially being offered by us for subscription at the Offer Price under the Placing (subject to reallocation and the Over-allotment Option as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Placing Underwriter(s)”	the underwriter(s) of the Placing whose names are set out in the section headed “Underwriting – Placing Underwriters” in this prospectus
“Placing Underwriting Agreement”	the conditional underwriting agreement dated 14 September 2020 relating to the Placing and entered into by the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters, our executive Directors, our Controlling Shareholders and our Company, as further described in the section headed “Underwriting” in this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance
“Price Determination Agreement”	the agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Friday, 18 September 2020, on which the Offer Price is determined and, in any event, no later than Monday, 21 September 2020
“Public Offer”	the offer of the Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 40,000,000 Shares initially being offered for subscription by our Company 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, whose names are set out in the section headed “Underwriting – Public Offer Underwriters” in this prospectus

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“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 14 September 2020 relating to the Public Offer and entered into by our Controlling Shareholders, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters, our executive Directors and our Company, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Public Offer Underwriting Agreement” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure” in this prospectus
“Reporting Accountants”	Mazars CPA Limited, the reporting accountants of our Company
“Safety Adviser”	Mr. Chan Wai Shing, an independent registered safety auditor engaged by our Group
“SARS”	Severe Acute Respiratory Syndrome
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	shareholder(s) of our Company from time to time
“Share Offer”	the Public Offer and the Placing
“Sky Mission”	Sky Mission Group Limited (天任控股有限公司), a company incorporated in the BVI with limited liability on 12 February 2019 and wholly owned by Mr. Leung
“Sponsor”	Alliance Capital Partners Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sole sponsor to our Company’s application for Listing

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers as contained in the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tax Adviser”	Mazars Tax Services Limited, the tax adviser of our Company
“Temmex”	Temmex Engineering Limited (天美工程有限公司), a company incorporated in Hong Kong on 21 October 1998 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of stage (4) of the Reorganisation
“Temmex Brothers”	Temmex Brothers Engineering Limited (天美兄弟工程有限公司), a company incorporated in Hong Kong on 9 October 2008 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of stage (4) of the Reorganisation
“Track Record Period”	comprises the period for the four years ended 31 March 2020
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S. dollar(s)” or “US\$” or “USD”	United States dollar(s), the lawful currency of the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)

DEFINITIONS

“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“sq. ft.”	square foot
“sq. m.”	square metre
“%”	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

All times refer to Hong Kong time. Unless otherwise specified, references to years in this prospectus are to calendar years.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“falsework system”	a temporary structure used to support permanent structure during its construction and until the structure becomes self-supporting
“formwork”	a temporary mould which is used to support the poured concrete until the poured concrete is able to maintain its shape
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001:2015”	a standard published by ISO, prescribing specific requirements for an environmental management system in an organisation
“ISO 45001:2018”	a standard published by ISO, prescribing specific requirements for an occupational health and safety management system in an organisation
“ISO 9001:2015”	a standard published by ISO, prescribing specific requirements for a quality management system in an organisation
“main contractor”	in respect of a construction project, a contractor appointed by the project employer or its construction consultant, who generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
“metal scaffold equipment”	one of the major equipment for formwork works by forming a falsework system
“private sector”	a composition of organisations that are not owned or operated by the Government or statutory bodies

GLOSSARY OF TECHNICAL TERMS

“public sector”	a composition of organisations that are owned or operated by the Government or statutory bodies
“Registered General Building Contractor”	a person whose name is on the register of general building contractors maintained under section 8A of the Buildings Ordinance from time to time
“Registered Specialist Trade Contractors Scheme”	a registration scheme launched on 1 April 2019 by the CIC, which comprises registered specialist trade contractors of seven designated trades and registered subcontractors of other common trades
“schedule of rates”	a schedule containing items which are relevant to the contract works with the applicable unit rate to be charged against each item
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction
“Subcontractor Registration Scheme”	an industry-wide registration scheme administered by the CIC to improve the regulation and management of subcontracting which aimed at building up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics (has been replaced by the Registered Specialist Trade Contractors Scheme since 1 April 2019)
“system formwork”	a formwork system formed by using aluminium and/or steel
“Ten Major Infrastructure Projects”	10 major infrastructure projects announced in the 2007–08 policy address by the Government, including South Island Line, Sha Tin to Central Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, Hong Kong-Shenzhen Western Express Line, Lok Ma Chau Loop, West Kowloon Cultural District, Kai Tak Development, and North East New Territories New Development Areas
“traditional formwork”	a formwork system formed by using timber and plywood

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk factors”, “Industry overview”, “Business”, “Financial information” and “Future plans and Use of proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, mission statement, plans, objectives and goals;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future occurrence of such events. Actual outcomes may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our ability to achieve growth of existing businesses and expansion of operations through investments;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations, especially those related to Hong Kong;
- general political and global economic conditions, especially those related to Hong Kong, and macro-economic measures taken by the Hong Kong government to management economic growth; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

One or more of the above-mentioned risks or uncertainties may materialise.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any 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, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk factors”.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operation of our Group could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business relies on successful tenders of formwork works projects which are non-recurrent in nature

Our Group principally provides formwork works services in the construction industry in Hong Kong. Our services are provided on a project-by-project and non-recurring basis, and we do not have any long-term commitments with any of our customers. In addition, we are required to compete against our competitors in a tendering process in order to secure new projects. For FY2017, FY2018, FY2019 and FY2020, we recorded a tender success rate of approximately 16.9%, 13.4%, 12.1% and 13.9%, respectively. Our ability to compete for and secure formwork works contracts is one of the key factors attributing to our success as well as our ongoing growth and future profitability.

There is no assurance that our Group will be able to maintain or increase our success rate of attaining the engagement for projects tendered and quoted in the future. Upon the completion of our contracts or work orders on hand, in the event that our Group is unable to receive new tender invitations or to be awarded new contracts or work orders or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, our business in general, our business operations and financial results and prospects of our Group would be adversely and materially affected.

Our business operations and financial results may be adversely affected if there is an outbreak of any severe communicable diseases such as COVID-19

Our business is subject to the outbreak of severe communicable diseases (such as swine flu, avian flu, SARS or coronavirus (including COVID-19)) and/or other adverse public health developments in Hong Kong. The outbreak of COVID-19 is still ongoing as at the Latest Practicable Date and there is no guarantee that the situation will deteriorate or the outbreak will come to an end in the near future. If the development of COVID-19 continues to be severe or intensified, which is beyond our control or knowledge or expectation, the economic conditions and market sentiment in Hong Kong may be further dampened and affected adversely. This may also result in the implementation of more stringent pandemic preventive measures to control the spread of COVID-19 by the Government, e.g. entering a total lockdown which prohibits the carrying out of our construction operations. In such event, our revenue for FY2021 will further decrease significantly as compared to that for FY2020. Such potential decrease is mainly attributable to, including but not limited to, (i) the delay or suspension due to new pandemic preventive measures by the Government; (ii) the cancellation of ongoing projects by our

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customers; (iii) the potential disruptions to future Legislative Council meetings leading to delays in approval for funding of construction works in the public sector; and (iv) the increase in impairment loss on trade receivables due to the deterioration in our ability to collect trade receivables or the failure to settle outstanding trade receivables by our customers within the agreed schedule or at all. If the outbreak of COVID-19 is not effectively controlled in the near future, our business operations and financial results may be adversely affected.

A significant portion of our revenue during the Track Record Period was attributable to the contracts and work orders awarded by a limited number of customers and any significant decrease in the revenue contributed from our major customers would materially and adversely affect our financial condition and operating results

A significant portion of our revenue was derived from a limited number of customers. For FY2017, FY2018, FY2019 and FY2020, our largest customer accounted for approximately 30.5%, 35.7%, 40.2% and 41.2% of our total revenue and our five largest customers in aggregate accounted for approximately 97.6%, 92.1%, 98.9% and 93.8% of our total revenue, respectively. As most of our works are granted on a project-by-project basis, there is a risk that our Group may not be awarded with new contracts or work orders by our major customers upon the completion of the current projects. We do not have any long-term commitment with our major customers and our major customers have no obligation to engage us for any new or subsequent projects. In the event that our Group is unable to secure new contracts or work orders with our major customers and is also unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our Group's financial condition and operating results would be materially and adversely affected.

In relation to the material uncertainty relating to going concern for the parent company of Customer F, since Customer F has been 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 – Material Uncertainty Relating to Going Concern for Customer F" in this prospectus, the financial conditions of its parent company may have impacts on the business operations and financial conditions of Customer F.

Customer F accounted for approximately 17.5%, 18.6% and 16.4% of our revenue for FY2018, FY2019 and FY2020, respectively. As at the Latest Practicable Date, our Group still has projects with Customer F in backlog and had no intention to halt the business relationship with Customer F. Nevertheless, if any part or whole of our business relationship with Customer F is halted due to defaults of its parent company and the bank's demand under the facility agreement or any financial difficulties on the part of its parent company, our business, results of operations, financial performance and future prospects may be materially and adversely affected.

We rely on key management personnel

Our success and growth is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team, and our capability to identify, hire and retain suitable and qualified employees, including management personnel with the necessary

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industry experience as described in the section headed “Directors and senior management” in this prospectus. Our Directors, in particular, our executive Directors, are important to our continued development as they have extensive experience and business connections in the construction industry in Hong Kong. Any unanticipated departure of our Directors and/or our senior management team without timely and appropriate replacement may have a material adverse impact on our business operations and profitability.

Our project performance may be affected by the shortage of labour

Construction works are generally labour intensive and we may encounter difficulties in securing sufficient labour for our construction works. According to the Construction Industry Council, as of July 2020, about 43.6% of the 524,590 registered construction workers were aged 50 or above. With the ageing labour force, the industry is struggling to attract and retain skilled workers. As the ageing population grows, we may struggle to source appropriate levels of labour to execute our projects.

There is no assurance that the supply of labour and average labour costs, particularly for skilled labour, will remain stable at all times. Labour intensive projects are more susceptible to labour shortages. If we were to incur labour shortages or a rise in labour costs during the course of a project, our profit will be reduced and our profit margins will be adversely affected.

During the Track Record Period, our direct labour costs, as part of the cost of services, amounted to approximately HK\$313.7 million, HK\$285.2 million, HK\$357.0 million and HK\$230.5 million, respectively, representing approximately 81.2%, 79.6%, 85.7% and 64.9% of our cost of services during the corresponding periods.

According to the Ipsos Report, the average daily wage for workers engaging in the construction industry in Hong Kong increased from HK\$1,067.5 per worker per day in 2013 to HK\$1,382.6 per worker per day in 2019, at a CAGR of approximately 4.4%. We cannot assure you that the labour supply and average labour costs will remain stable in the future. If we fail to retain existing labour and/or recruit sufficient labour in a timely manner to execute our existing or future projects in a timely manner, we may not be able to complete our projects on schedule and may be subject to claims for liquidated damages from our customers and/or incur loss.

We make estimation of the project price based on our estimated time and costs in our tenders and any failure to accurately estimate the time and costs involved and/or delay in completion of any project would lead to cost overruns or even result in losses and adversely affecting our operations and financial results

We determine the price of our tender based on our estimated cost plus a certain markup margin. Our ability to submit tender proposal at a competitive price with adequate profit margin to maintain our profitability depends on various factors. We determine the tender price based on information made available to us by our potential customers, taking into account, among others, the scope and complexity of the project, site conditions, project time frame, estimated

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construction materials costs, labour and extent of subcontracted works required, our relationship with customers and prevailing market conditions.

Significant changes in any of these or other relevant factors may lead to delays in completion of our project works or cost overrun by us, and there is no assurance that the actual time and costs incurred by us will match our initial estimates. As our contracts or work orders with customers during the Track Record Period were generally fixed price contracts or work orders for which our unit prices stated in the schedule of rates are fixed and without any price adjustment clause, once we agree on the tender price with our customer, we will be required to bear any additional costs incurred. Such delays, cost overruns or mismatches of actual time and costs with our estimates may cause our profitability to be lower than what we expected.

During the Track Record Period, we recorded five completed projects with an aggregate overall loss of approximately HK\$7.2 million, which were partially due to cost overrun. For further details of the loss-making projects, please refer to the section headed “Business – Sales and marketing – Pricing strategy” in this prospectus.

In addition, the contracts or work orders we entered into during the Track Record Period normally contain specific completion schedule requirements and liquidated damages provisions (i.e. we may have to pay our customers liquidated damages if we do not meet the schedules). To the extent that our customers do not grant us time extension, our Group may be subject to liquidated damages due to delay in completing the project or schedule requirements of our contracts, calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete. This may reduce or diminish our expected profit and cash inflow from the relevant projects as we are unable to maintain our costs within our original estimations. Any material inaccurate estimation in the time and costs involved in a project would give rise to delays in completion of works and/or cost overruns, which in turn would materially and adversely affect our Group’s financial condition, profitability and liquidity.

Any significant increase in construction material costs and/or the occurrence of any substandard construction materials may have adverse impacts on our financial results

Our principal construction materials mainly include timber, plywood, metalware and aluminium formwork which we acquire through our suppliers. For FY2017, FY2018, FY2019 and FY2020, our cost of construction materials were approximately HK\$40.6 million, HK\$51.0 million, HK\$36.0 million and HK\$77.4 million respectively, representing approximately 10.5%, 14.2%, 8.6% and 21.8% of our cost of services, respectively. We generally prepare tender responses based on our estimated project costs (which mainly include direct labour costs and material costs) plus a mark-up margin. However, the related actual material costs cannot be ascertained accurately when we prepare tenders or quotations. Any unexpected material fluctuations in such charges or costs during the course of the execution of our projects may affect our profitability.

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There is no guarantee that the quality of construction materials supplied to our Group will always meet our required standards, and we may be forced to replace these construction materials from other suppliers at additional costs, which will also cause delay to the completion of the project. Furthermore, we cannot guarantee that the costs of these materials will be stable as we are exposed to the risk of fluctuations in the prices of these materials. If we are unable to factor these potential fluctuations into our tenders and pass all or part of such additional costs to our customers, or reduce other costs, our financial results and position may be materially and adversely affected.

Our historical results may not be indicative of our future performance

As our business is project-based, and our revenue and profit margins in respect of the relevant construction projects are dependent on the pricing of our tender, which may be affected by factors that are specific to the project, such as the length of the contract period, the complexity of the relevant construction designs and the expected costs of the construction works, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period. For FY2017, FY2018, FY2019 and FY2020, our gross profit amounted to approximately HK\$53.7 million, HK\$57.1 million, HK\$88.5 million and HK\$79.2 million, respectively, and our gross profit margin amounted to approximately 12.2%, 13.8%, 17.5% and 18.2%, respectively. However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs.

There is no assurance that our operating and financial results in the future will remain at a level comparable to those recorded during the Track Record Period or will not decline and that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance since our financial condition and prospects would be materially and adversely affected by any future decrease in our profit margin.

Our Group may incur extra cost in workers' training and recruitment of workers following the implementation of construction workers registration scheme in 2017

The Construction Workers Registration Ordinance (CWRO) was enacted in July 2004 with the principal objective to establish a construction workers registration system through assessment and certification of the skill levels of all construction workers so as to ensure quality of construction works and to raise the status of construction workers. Following the amendment of the Construction Workers Registration Ordinance in 2014, the requirements of “designated workers for designated trades” have been fully implemented under the construction workers registration scheme in April 2017. Skilled construction workers are required to register according to their respective skills. Registered workers with skills in carpentry (formwork – building construction) are generally required to perform our formwork works. It is expected that our Group may incur extra resources in workers' training in order to meet the requirements of

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the registration scheme promulgated by the Government. Cost of workers may also increase following the implementation of relevant qualification framework. Failure to recruit workers with suitable qualification and registration at reasonable cost or at all will have material and adverse effect to the operations of our Group.

We are exposed to our customers' credit risks. Our cash flow may fluctuate and our liquidity position would be adversely affected if our customers fail to make payment on time or in full

Our Group generally pays the upfront costs, such as subcontracting fees and costs of materials and other set up costs in the early stage of a project before we received any payment from our customers. Our projects normally require our customers to make progress payments with reference to the value of works done without any advance payment. Please refer to the section headed "Business – Our customers – Principal terms of engagement" in this prospectus for further details. Therefore, we will normally incur net cash outflows at an early stage of carrying out our projects and our cash flows of a particular project will turn from net cash outflows at the early stage into accumulative net cash inflow gradually as the works progress. If we take up a large number of significant projects requiring substantial costs at a particular period of time, there is no assurance that we can maintain sufficient control over our cash flow and we may not have sufficient and timely cash inflow from other projects to cover.

Our trade receivables amounted to approximately HK\$2.7 million, HK\$7.5 million, HK\$11.6 million and HK\$138.5 million as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, respectively; while our contract assets amounted to approximately HK\$79.3 million, HK\$108.5 million, HK\$119.3 million and HK\$142.8 million as at the corresponding dates, respectively. For FY2017, FY2018, FY2019 and FY2020, our trade receivables turnover days (including contract assets) was approximately 74.6 days, 87.0 days, 89.2 days and 173.1 days, respectively. Progress payments will not always be paid to us on time or in full. We may experience significant cash flow mismatch when there is a significant timing difference between making payments to our suppliers and subcontractors and receiving payments from customers. In the event of defaulting payments by any of our major customers, we may be unable to recover a significant amount of the receivables. In addition, if there is any difficulty in collecting a substantial portion of our trade receivables or any material mismatch in time between receipt of progress payments from our customers and payment of initial upfront costs and we fail to manage the fluctuation of our cash flows, our cash flows, business operations and financial condition would be materially and adversely affected.

We recorded a net operating cash outflow for FY2020 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future

During the Track Record Period, our Group recorded a net operating cash outflow of approximately HK\$4.0 million for FY2020, consisting primarily of approximately HK\$56.6 million of cash generated from operations before working capital adjustments and net working capital adjustments of approximately HK\$50.6 million, further adjusted by income tax paid and finance cost paid of approximately HK\$9.9 million. Please refer to the paragraphs headed

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“Liquidity and capital resources – Cash flow – Cash flows from operating activities” in the “Financial information” section of this prospectus for detailed analysis of the decrease.

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 face a net operating cash outflow in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings. There is however no assurance that we will succeed in obtaining bank borrowings at terms favourable to us and we may incur significant finance costs for any such bank borrowings; and (ii) our liquidity may be adversely affected and we may not be able to meet the payment obligations, such as our trade payables. This may materially and adversely affect our business, financial position and results of operations.

We may not receive the full amount of contract assets or receive the amount in a timely manner that stated in our payment application to customer

As at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, we recorded contract assets of approximately HK\$79.3 million, HK\$108.5 million, HK\$119.3 million, HK\$142.8 million, respectively. Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. There is normally a timing difference between the completion of contract work, the payment application by us and the issue of payment certificates by our customers and up to the payment by our customers. There is no assurance that we will receive the full amount of contract assets for contract works or received the amount in a timely manner as our customers may not agree on our work done stated in our payment application submitted to them. If we are not able to do so, our results of operation, liquidity and financial position may be adversely affected.

Our liquidity position may be adversely affected if progress payments or retention money is not paid or released to us on time or in full or the construction project cash flows are inhibited

We normally apply for progress payments on a monthly basis, and subsequently receive progress payments from our customers, who are mainly the main contractors of construction projects. A progress payment is generally made monthly by reference to the value of works done in that month. A portion of the contract value (which is generally subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money, which will generally be released to us partially after completion of the works and the remaining is released to us after a defects liability period ranging from 12 months to 24 months, depending on the terms of individual contracts, or within 12 months after completion of our works. As at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, retention money receivables,

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as part of our contract assets, of approximately HK\$40.8 million, HK\$41.2 million, HK\$38.4 million and HK\$42.7 million, respectively, were retained by our customers.

The examination process to verify the completion of works may give rise to disputes and thus our customers may withhold retention money in part or in full, or they may delay in the settlement of such retention money. Further, our customers may request changes to the original design or require additional services through the issuance of variation orders. However, the additional works carried out by us may not be fully covered under the scope of the original contract. There may also be occasions where additional fees may not be determined or agreed upon with our customers generally throughout the various stages of the project. Thus, we may only receive part of the anticipated progress payments during the course of the project. Any failure by our customers to make payments on time or in full may have an adverse effect on our future liquidity position. If we are not able to maintain a sufficient amount of working capital and cash flow for meeting our cost requirements, our capacity to undertake new projects may be limited and accordingly, our financial performance and results of operations may be adversely affected.

The price of our variation works may not be clearly determined

During the course of implementation of the construction projects, our customers present our Group with “variation orders” to request for a change in or modification to the scope of works, or as a request for us to perform works beyond the original scope of the contracts. The terms of these variation orders must be agreed upon between our Group and our customers based on principles including, among others, that where any additional works to be carried out is of the same as or similar nature to (and executed under the same or similar conditions and circumstances) any item of work already set out and priced under the original contract, these additional works shall be valued at the same rate set out in the original contract. However, if the additional works are not the same or similar in the manner as those set out within the original contract and our Group and our customers fail to reach an agreement on the rate for carrying out the variation works, the customers may unilaterally fix a rate that they believe to be reasonable. If our Group disagrees on such rates, contractual disputes with our customers may arise. Our results of operation, liquidity position and financial position may therefore be adversely affected.

We may face warranty claims by our customers

A defects liability period may be given by our Group to our customers during which we are responsible for rectifying all our works defects. The length of the defects liability period depends on the nature of the works. For instance, we are generally not required to provide a defects liability period, but may provide such a period of approximately 12 to 24 months if so requested. If a claim is raised during the defects liability period, we may need to spend a significant amount of resources to identify and rectify the defects. Our business operations and financial condition may therefore be materially and adversely impacted by the additional costs associated with manpower and materials required to rectify any such defect.

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Our business strategy and future plans may not be successful or achieved within the expected timeframe or estimated budget

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies and future plans, including continuing to expand our scope of services, competing for large-scale formwork works contracts, improving our margins and profitability, capturing the growing formwork works. The successful implementation of our business strategies and future plans as described in the section headed “Future plans and use of proceeds” in this prospectus are based on current estimates and assumptions and depend on a number of factors including the availability of funds, market competition and our ability to retain and recruit competent employees. Some of the factors are beyond our control and by nature, are subject to uncertainty, such as the general market conditions in Hong Kong, the change in the government’s policy or regulatory regime of the formwork works industry in Hong Kong.

However, our business strategies and future plans may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that our business strategies and future plans will be implemented successfully. Moreover, there is no assurance that our Group will be able to successfully maintain or increase our market share, grow our business or expand our services and customer base successfully after deploying our Group’s management and financial resources. Any failure to maintain our current market position or implement our business strategies and future plans would materially and adversely affect our business, financial condition and the results of operations.

Construction litigation and disputes may adversely affect our Group’s performance

Owing to the nature of our business, we are exposed to the risk of being involved in disputes with our customers, workers and other parties involved in our projects in differing capacities. Such disputes may be in connection with the delivery of what may be perceived to be substandard works, late completion of works, labour compensation or personal injuries in relation to the works. For example, contractual claims may arise regarding the payment of outstanding contract fees with personal injuries compensation claims may arise in relation to any industrial accidents happened in our construction sites. Please refer to the section headed “Business – Litigation and claims” in this prospectus for further information on the disputes or litigation we encountered during the Track Record Period and up to the Latest Practicable Date. Our management’s attention and internal resources may be significantly diverted for the handling of such contractual disputes, litigations and other legal proceedings, which can be both costly and time consuming. Regardless of the merits of the case, these disputes may damage our relationship with the relevant customers, suppliers or workers, which may affect our reputation in the construction industry, thus adversely affect our business operations, financial results and profitability.

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We were involved in certain safety-related non-compliance incidents

Our operation is subject to certain safety-related laws and regulations. For details, please refer to the section headed “Regulatory overview – Labour, health and safety” in this prospectus. Whilst we closely supervise and monitor our employees and subcontractors in the implementation of all of our safety measures and procedures during the execution of works, we cannot guarantee that our employees will follow our safety measures and/or will not breach any applicable rules, laws or regulations. Personal injuries, property damage or fatal accidents may result if any such employees or subcontractors fail to follow the safety measures at our project sites.

During the Track Record Period, we were involved in certain safety-related non-compliance incidents and a fatal accident; and legal action was threatened against our Group under the Factories and Industrial Undertakings Ordinance and its subsidiary regulations. Despite our safety management systems, there is no assurance that safety-related non-compliance will never occur in the future due to human error or failure of our workers to adhere to our safety measures. According to the Ipsos Report, reputation and credibility are the key factors of competition in the formwork works industry. Any non-compliance or conviction records may adversely affect our reputation, and this may in turn affect our chances of winning future tenders. Further, if any non-compliance of similar or other nature occurs in the future, we may be subject to fine, business interruptions and/or other legal and operation consequences, which may adversely and materially affect our business operation and financial position.

If a fatal accident occurs at a construction site that our Group is responsible for, it may lead to claims or other legal proceedings against our Group as well as the relevant authority re-evaluating the qualifications of our Group. If we are unable to renew or otherwise maintain our licences, permits or qualifications, our Group may not be able to obtain certain new projects, and thereby our financial position and prospects would be materially and adversely affected.

Our insurance may not fully cover all the potential losses arising from claims and litigation and our insurance premium may increase from time to time

We provide formwork works services as subcontractors and are covered by the employees’ compensation insurance and contractors’ all risks insurance taken out by the project’s main contractor. Please refer to the section headed “Business – Our insurance” in this prospectus for further details. There is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business will be fully covered by the insurance taken out by our customers. To the extent that our insurance does not cover such losses, damage or liabilities, the resulting payment to cover such losses, damage or liabilities may have a material adverse effect on our business operations and financial conditions.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

The recent outbreak of COVID-19 worldwide may result in the slowdown of global economy

The recent outbreak of COVID-19 in Hong Kong since January 2020 has increased uncertainties to the economy in Hong Kong in 2020, which had already been weakened by social unrest since June 2019 and the US-China trade tension. All of these situations may affect our industry and cause temporary suspension of projects and shortage of labour and raw materials, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. The adjournment of Legislative Council meeting between February 2020 and May 2020 caused by the outbreak of COVID-19 resulted in delays in approval of the public construction projects. Our Directors recognise that, if the development of COVID-19 persists or intensifies, the economy in Hong Kong may be 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 outbreak of COVID-19 may also lead to labour shortage, increase in wages of the workers, and interruption of our business operation, delaying the work progress of our projects as a result. Our operations could be disrupted if any of our employees or employees of our subcontractors were suspected of contracting or contracted an epidemic disease, since this could require us and our subcontractors to quarantine some or all of these employees and disinfect our works sites and facilities used for our operations.

In addition, our revenue and profitability could also be reduced to an extent if COVID-19 or any natural disaster, health epidemic or other virus outbreak harms the overall economy in Hong Kong. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

Our business depends on the economic, political and social conditions in Hong Kong

We conduct business in Hong Kong only and do not plan to expand our operations outside Hong Kong in the near future. Consequently, our business operations may be affected by the economic, political and social conditions in Hong Kong. For example, as the result of the local political circumstances, we may experience: (i) disruptions to the proceedings of the Legislative Council leading to delays in approval for funding, which will in turn cause delays to public sector construction works; (ii) protests and strikes affecting the progress of our works; (iii) theft of equipment and materials from construction sites leading to a disruption to our works and high costs incurred in the replacement of such equipment and materials; and (iv) outbreak of infectious diseases including swine flu, avian flu, SARS or the coronavirus (including COVID-19) and any other related or mutated forms of infectious diseases (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of the foregoing).

RISK FACTORS

Social unrest commenced in Hong Kong in June 2019 and the duration and direction of the social unrest remains unclear. There can be no assurance that large-scale protests will be infrequent or that they will not be prolonged, or that there will not be other events which could lead to the disruption of the economic, political and social conditions in Hong Kong. Moreover, most recently, the novel coronavirus named COVID-19 by the World Health Organisation was first reported in December 2019. Such events in Hong Kong could severely disrupt our business operations by having a negative impact on the reduced demands for our services and delay in the progress of our formwork works projects. If such future movements or events persist for a prolonged period of time or that the economic, political and social conditions in Hong Kong are to be disrupted, the demand or the progress of our formwork works, and thus our overall business and results of operations may be adversely affected.

The Government's budget and funding for public sector projects may be adversely affected by lawmakers' filibustering in the Legislative Council and the adjournment of the Legislative Council

During the Track Record Period, part of our revenue was derived from public sector projects. However, in recent years, filibustering by Hong Kong lawmakers and the adjournment of the Legislative Council have in certain cases led to the failure of or delay in the funding approval for certain public sector projects initiated by the Government. Therefore, we cannot guarantee that the Government's budget and funding for construction projects may not be delayed, reduced or adversely affected as a result of lawmakers' filibustering in the Legislative Council and the adjournment of the Legislative Council. Any delay or reduction in the planned Government's budget and funding may affect the timeliness and development of the construction industry in Hong Kong. In addition, there is also a risk in relation to the delay of awarding government contracts and the commencement of certain public sector projects. In the above situations, our business and financial position could be materially and adversely affected.

The growth of construction industry in Hong Kong is expected to experience a slower growth

According to the Ipsos Report, the construction industry in Hong Kong experienced a growth at a CAGR of approximately 4.9% from 2013 to 2019 which was mainly attributable to the Government expenditure on large-scale public infrastructure projects, such as the Ten Major Infrastructure Projects. However, such growth is expected to slow down to a CAGR of approximately 1.9% from 2020 to 2023 following the completion of some of the Ten Major Infrastructure Projects and the absence of large-scale construction projects introduced by the Government, together with the forecasted impact of outbreak of COVID-19. Although the Government has proposed various development plans, such as the New Development Area projects in Kwu Tung North and Fanling North as well as the Tung Chung New Town Extension project, there is no guarantee that such plans will be undertaken by the Government. If the expected slowdown of the growth of construction industry in Hong Kong materialises, the number of civil engineering projects potentially available to us may be reduced and may, in turn, adversely and materially affect our business and financial position.

RISK FACTORS

The current market condition may not be reflected in the statistical information included in this prospectus

The historical information set out in this prospectus relating to market conditions and valuations may not reflect the current market situation due to rapid changes in the global economy. In order to provide context to the industries in which we operate, and to provide a greater understanding of our market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition as the recent changes in local economic conditions may not be fully factored into these statistics, and the availability of the latest data may not be reflected in this prospectus. As such, any information relating to market shares, sizes and growth, or performance in these markets and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results. Investors should note that one or more of these risks or uncertainties may materialise, or one or more of the underlying assumptions may prove incorrect.

We operate in a competitive environment

According to the Ipsos report, the formwork works industry in Hong Kong is relatively fragmented. Formwork works contractors often act as a subcontractor in a construction project commissioned by a main contractor. As of September 2020, according to Construction Industry Council, there were 864 contractors on the list of registered contractors under “Concreting Formworks” category. Please refer to the section headed “Business – Market and competition” in this prospectus for further details. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, a longer operating history, more established relationships with property developers, a greater marketing reach and other forms of resources. Further, new participants may enter the industry as they wish provided that they possess all the various licences and qualifications required.

We may face significant pricing pressures in competing against such a large number of competitors, and such competition may place pressure on our profit and profit margins. We cannot assure you that our profit margin will not decline as a result of the price pressure. We cannot guarantee that we can effectively cope with further heightened competition in the future or that we will maintain our market position in the industry. If we cannot adapt effectively to market conditions and customer preferences or if we otherwise fail to provide a competitive bid as compared to our competitors, our services would not be attractive to potential customers and our business would be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that would significantly harm our ability to secure contracts.

Our Group’s operations may be affected by inclement weather conditions and are subject to other construction risks

Most of our business operations are conducted outdoors and are susceptible to inclement weather. If inclement weather persists or natural disasters occur, we may be inhibited from

RISK FACTORS

performing works at our construction sites and, as a result, we may not be able to meet the specified time schedule. If we have to halt operations during inclement weather or natural disasters, we may continue to incur operating expenses such as labour costs and equipment rental. If our project is delayed and the terms of the contract do not accommodate for such delays or our customers do not grant us a sufficient extension of time for completion, we may be liable for any liquidated damages in accordance with the relevant contract terms, which may adversely affect our financial results.

In addition, our business is subject to natural disasters or other acts of God, which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society of Hong Kong. Acts of war and terrorism may also leave our employees injured, cause loss of lives, damage our facilities, disrupt our operations and destroy our works already performed. If any of such incident occurs, our revenue, costs, financial conditions and potential for growth will be adversely affected. It is also difficult for us to predict the potential effects of these incidents and their materiality to our business as well as those of our customers, suppliers and the ultimate project owners.

We are subject to environmental liability

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Government, which apply to the operation of construction projects in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. Please refer to the section headed “Regulatory Overview” in this prospectus for further information. If our operations fail to meet the applicable environmental protection laws, regulations and requirements, we may be subject to fines or required to make remedial measures which may in turn have adverse effect on the operations and financial performance of our Group. During the Track Record Period, we did not make any provision for environmental liability. Such environmental regulations and guidelines may be revised by the Government from time to time to reflect the latest environmental needs. There is no assurance that the Government will not introduce new environmental related ordinances and regulations in the future and that our Group will be able to comply with such new ordinances and regulations. Any failure to comply with such new ordinances or regulations may have an adverse effect on the operations of our Group.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

Investors will experience immediate dilution

In the event that the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, subscribers or purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets value to HK\$0.17 and HK\$0.19 per Share, based on the Offer Price of HK\$0.35 and HK\$0.44, respectively.

RISK FACTORS

Shareholders' interests in our Company may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds to finance our business expansion after Listing through the issue of new equity or equity-linked securities of our Company, which are not made on a pro rata basis to existing Shareholders. In such an event, (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the ordinary Shares held by existing Shareholders.

There was no prior public market for our Shares. If an active trading market for our Shares does not develop, the prices of our Shares may be adversely affected and may decline below the Offer Price. Further, the Offer Price was the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters). Such Offer Price may differ significantly from the market price for the Shares following the Share Offer.

Further, we cannot assure you that an active trading market will develop or be maintained following completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by giving written notice to our Company upon the occurrence of any of the events stated in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic and/or outbreak of infectious diseases including, inter alia, swine flu, avian flu, SARS or the coronavirus (including COVID-19) and any other related or mutated forms of infectious diseases (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of the foregoing), act of terrorism, earthquake, strike or lock-out. Should the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) exercise their rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

Following the Share Offer the liquidity and market price of our Shares may be volatile

The price and trading volume of our Shares may be highly volatile due to factors such as variations in our revenue, earnings and cash flows and announcements of major construction works contracts awarded. All of the aforementioned factors could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

RISK FACTORS

There is a time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading begins

The Offer Price will be determined on the Price Determination Date, which is expected to be on 18 September 2020. However, the trading of Shares on the Main Board will not commence until the Listing Date, which is expected to be on 29 September 2020. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins, resulted from adverse market conditions or other adverse developments that could occur between the said period of time.

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Companies Law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed "3. Cayman Islands company law" in Appendix III to this prospectus.

Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares

After Listing, the prevailing market price of Shares may be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issue or sale may occur. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. We cannot give any assurance that they will not dispose of Shares they may own now or in the future.

RISK FACTORS

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Forward-looking statements contained in this Prospectus are subject to risks and uncertainties

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies 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 the Company. The 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 in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer. Details of the terms of the Share Offer are described in the section headed "Structure and conditions of the Share Offer" in this prospectus and in the related Application Forms.

The Listing is sponsored by the Sponsor and the Share Offer is managed by the Joint Bookrunners. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Public Offer for which Alliance Capital Partners Limited is the Sponsor. The Public Offer is fully underwritten by the Underwriters. For further information about the Underwriters and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such 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 or the related Application Forms and the offering and sales 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. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

Each person subscribing for the Offer Shares will be required to confirm, or be deemed by his/its subscription of the Offer Shares to have confirmed, that he/it is aware of the restrictions on offer of the Offer Shares described in this prospectus and the Application Forms, and that he/it is not subscribing for, and has not been offered, any Share in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under 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 application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sponsor, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

The principal register of members of our Company will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands. All the Offer Shares will be registered on the Hong Kong branch register of members to be maintained by Tricor Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Unless our Directors otherwise agree, all transfers and other documents of title of shares must be lodged for registration with and registered in Hong Kong and may not be lodged in the Cayman Islands.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and the Company's 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, under contingent situation, 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. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about Tuesday, 29 September 2020. The Shares will be traded in board lots of 8,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain USD into HKD, respectively at specified rates. For illustration purpose only, you may make conversion of USD into HKD in this prospectus based on the exchange rate as at the Latest Practicable Date set out below:

US\$1.00: HK\$7.75

Such conversion shall not be construed as representations that amount of such currency was or may have been converted into HKD and vice versa at such rates or any other exchange rates.

ROUNDING

Certain amounts or percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
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Executive Directors

Mr. Leung Yam Cheung (梁任祥) (formerly known as Leung Wah Fei (梁華飛))	18 Ma Fung Ling Road Evergreen Place Tower 4, 3/F, Flat D Ping Shan New Territories, Hong Kong	Chinese
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Mr. Cheung Kit Hung (張傑鴻)	Flat 2, 33/F, Block D Ka Kit House, Ka Lung Court Aberdeen, Hong Kong	Chinese
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Mr. Leung Wing Hoi (梁榮海)	Room C, 16/F, Block 15 The Parcville 33 Yuen Long Kau Hui Road Yuen Long New Territories, Hong Kong	Chinese
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Mr. Leung Wing Chun (梁榮進)	G/F-2/F, Block 26 148 Tai Tao Tsuen Hung Shui Kiu Yuen Long New Territories, Hong Kong	Chinese
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Non-executive Director

Mr. Yau Sheung Hang (丘尚衡) (formerly known as Yau Ngan Fei (邱雁飛))	Flat B, 1/F, Tower 2 The Woodsville 18 Hung Shun Road, Hung Shui Kiu Yuen Long New Territories, Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Ng Lin Fung (吳連烽)	Room 2808, 28/F, Block F Kornhill Garden No. 11 Hong Shing Street Hong Kong	Chinese
Mr. Lam Kwong Siu (林廣兆)	Flat B, 23/F, Block 12 Braemar Hill Mansions 37 Braemar Hill Road North Point, Hong Kong	Chinese
Mr. Chu Hau Lim (朱孝廉)	Flat 2, 13/F, Wang Shing House Wang Fuk Court Tai Po New Territories, Hong Kong	Chinese
Mr. Leung Ka Ho Raymond (梁家浩)	Flat B, 17/F, Tower 2, Ocean Wings No. 28 Tong Chun Street Tseung Kwan O New Territories, Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Further information is disclosed in the section headed “Directors and senior management” in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor and Joint Bookrunner

Alliance Capital Partners Limited

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO

Room 1502–03A
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Celestial Securities Limited

22/F Manhattan Place
23 Wang Tai Road, Kowloon Bay
Kowloon, Hong Kong

I Win Securities Limited

Room 1916, Hong Kong Plaza
188 Connaught Road West
Sai Wan, Hong Kong

Lee Go Securities Limited

Unit 02, 12/F
West Exchange Tower
322 Des Voeux Road Central
Hong Kong

Joint Lead Managers

Blackwell Global Securities Limited

Whole of 26/F
Overseas Trust Bank Building
160 Gloucester Road, Wanchai
Hong Kong

Conrad Investment Services Limited

23/F, Tung Hip Commercial Building
244–248 Des Voeux Road Central
Sheung Wan, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Grand Partners Securities Limited

9/F, Connaught Harbourfront House
35–36 Connaught Road West
Hong Kong

Legal advisers to our Company

As to Hong Kong law

CFN Lawyers

in association with Broad & Bright

Solicitors, Hong Kong

27/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman

Cayman Islands attorneys-at-law

PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Legal advisers to the Sponsor and the Underwriters

As to Hong Kong law

ZM Lawyers

Solicitors, Hong Kong

20/F, Central 88
88–98 Des Voeux Road Central
Central, Hong Kong

Reporting Accountants and independent auditor

Mazars CPA Limited

Certified Public Accountants, Hong Kong

42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Property valuer

Access Partner Consultancy and Appraisals Limited

Unit 2603, 26/F
Tung Wai Commercial Building
Nos. 109–111 Gloucester Road
Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Industry consultant

Ipsos Asia Limited
6/F, China Life Centre Tower A
One HarbourGate
No.18 Hung Luen Road, Hung Hom
Kowloon, Hong Kong

Receiving bank

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

Safety Adviser

Mr. Chan Wai Shing
Flat 6, 39/F, Block L
Wai Fu House
Tin Fu Court
Tin Shui Wai
New Territories, Hong Kong

Tax Adviser

Mazars Tax Services Limited
42/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Room 1101, Yuen Long Centre 55 Sau Fu Street Yuen Long, New Territories Hong Kong
Company's website	www.skymission.group <i>(information contained on the website does not form part of this prospectus)</i>
Company secretary	Ms. Teh Lai Ching <i>(ACIS, ACS)</i> Room 1248, 12/F, Block F Wah Lok Industrial Centre 31–41 Shan Mei Street Fo Tan, Shatin New Territories, Hong Kong
Authorised representatives (for the purposes of the Listing Rules)	Ms. Teh Lai Ching <i>(ACIS, ACS)</i> Room 1248, 12/F, Block F Wah Lok Industrial Centre 31–41 Shan Mei Street Fo Tan, Shatin New Territories, Hong Kong Mr. Cheung Kit Hung Flat 2, 33/F, Block D Ka Kit House, Ka Lung Court Aberdeen, Hong Kong
Audit Committee	Mr. Chu Hau Lim <i>(Chairman)</i> Mr. Ng Lin Fung Mr. Lam Kwong Siu
Remuneration Committee	Mr. Ng Lin Fung <i>(Chairman)</i> Mr. Leung Yam Cheung Mr. Cheung Kit Hung Mr. Lam Kwong Siu Mr. Chu Hau Lim Mr. Leung Ka Ho Raymond

CORPORATE INFORMATION

Nomination Committee

Mr. Lam Kwong Siu (*Chairman*)
Mr. Leung Yam Cheung
Mr. Cheung Kit Hung
Mr. Ng Lin Fung
Mr. Chu Hau Lim

Compliance Committee

Mr. Cheung Kit Hung (*Chairman*)
Mr. Leung Wing Chun
Mr. Chu Hau Lim
Mr. Hui Siu Wing
Mr. Lau Chi Shing Tommy

ESG Committee

Mr. Leung Wing Hoi
Mr. Ng Kam Tong
Mr. Chung Chi Ming
Mr. Lau Chi Shing Tommy
Mr. Cheung Pui Wah

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Level 54, Hopewell Centre
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Alliance Capital Partners Limited
Room 1502-03A
Wing On House
71 Des Voeux Road Central
Central
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Principal bank

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

INDUSTRY OVERVIEW

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter, our or their respective directors and officers or any other parties involved in the Share Offer other than Ipsos. No representation is given as to the accuracy, completeness or fairness other than Ipsos.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

We commissioned Ipsos to conduct an analysis of, and to report on the formwork works industry in Hong Kong at a fee of HK\$523,000 and our Directors consider that such fee reflects market rates. The payment of such amount was not conditional on our Group's successful listing or the results of the Ipsos Report. Ipsos is an independent market research company wholly-owned by Ipsos Group S.A. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 18,000 personnel worldwide across 90 countries. Ipsos Group S.A. researches market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos has solid experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

Research methodology

The information in the Ipsos report are derived by data and intelligence obtained by (a) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (b) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (c) performing client consultation to facilitate the research including in-house background information of the client (such as the business of our Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

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Assumptions used in the Ipsos Report

The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report:

- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of formwork works industry in Hong Kong from 2020 to 2023, except for the outbreak of COVID-19.
- It is assumed that the global economy remains steady, other than the impacts from the COVID-19, across the period from 2020 to 2023.
- The impact of the outbreak of COVID-19 in 2020 is assumed to have short-term effects (i.e. no further large-scale community outbreak of COVID-19) on the overall construction industry, building construction works industry as well as the formwork works industry in Hong Kong over the forecast period.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there has been no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section. Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

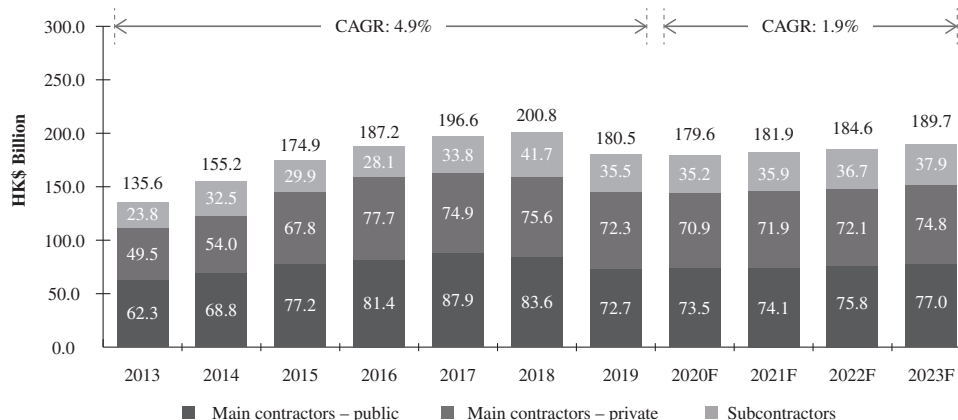
MARKET OVERVIEW OF THE OVERALL CONSTRUCTION INDUSTRY IN HONG KONG

The gross output value of overall construction works in Hong Kong

The gross output value of overall construction works performed at construction sites in Hong Kong increased from approximately HK\$135.6 billion in 2013 to approximately HK\$180.5 billion in 2019, at a CAGR of approximately 4.9%. The growth from 2013 to 2018 was due to the Government expenditure on large-scale public infrastructure projects, such as the Ten Major Infrastructure Projects^(Note 1). The decline in the gross output value of overall construction works performed at construction sites from 2018 to 2019 was mainly attributed to the completion of the major construction works in the Ten Major Infrastructure Projects, which was firstly announced in the 2007-2008 Policy Address. Some mega projects were completed by the end of 2018 and early 2019, including the Hong Kong-Zhuhai-Macao Bridge, which costed approximately HK\$120 billion and commenced operation in October 2018. On the other hand, the Guangzhou-Shenzhen-Hong Kong Express Rail Link was also completed in June 2018, leading to a decline in the gross output value of the overall construction works from 2018 to 2019.

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Gross output value of construction works performed at construction sites in Hong Kong from 2013 to 2023F^(Note 2)



Notes:

1. The Ten Major Infrastructure Projects refer to South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas, and Hong Kong-Shenzhen Western Express Line.
2. The forecasted impact of outbreak of COVID-19 on the gross output value of construction works performed at construction sites in Hong Kong is a preliminary forecast and subject to change, depending on the outbreak extent and duration of COVID-19.

Source: Ipsos research and analysis

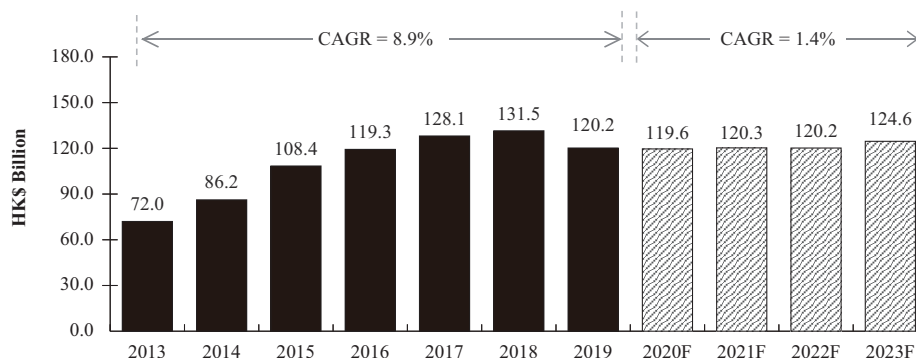
The total gross output value is forecasted to increase from approximately HK\$179.6 billion in 2020 to approximately HK\$189.7 billion in 2023 at a CAGR of approximately 1.9%. The gross output value is forecasted to grow at a slower rate than in the historical period due to the outbreak of COVID-19 in 2020, which is expected to lead to a drop in the gross output value of the overall construction works industry from approximately HK\$180.5 billion in 2019 to approximately HK\$179.6 billion in 2020, subject to a number of factors, including but not limited to the outbreak extent and duration of COVID-19. Subject to the development of the COVID-19 vaccine, it is forecasted that the outbreak of COVID-19 can be under control before 2021 and the construction industry can regain the growth from 2021. In addition, the slower growth rate in the forecast period is also attributed to the completion of the major construction works on the Ten Major Infrastructure Projects in the forecast period. Nonetheless, the growth will continue to be driven by the Government's initiatives to increase the public and private housing supply. Major infrastructure projects which were planned for commencement include but are not limited to construction works at Kwu Tung North and Fanling North New Development Areas, Trunk Road T2, Kai Tak Development stage 4 and 5 and construction of Cross Bay Link in Tseung Kwan O.

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The gross output value of building construction works industry in Hong Kong

Formwork works are an important part of building construction works. The growth of the building construction industry partially drives the demand for formwork works industry in Hong Kong. The gross output value of the building construction works industry in Hong Kong increased from approximately HK\$72.0 billion in 2013 to approximately HK\$120.2 billion in 2019, at a CAGR of approximately 8.9%. The increase in the gross output value was attributed to the Government's initiative to increase public housing supply as well as increased construction projects of private residential, commercial and office buildings. The drop in the gross output value of the building construction works industry in Hong Kong in 2019 was partially due to the drop in the number of newly completed private residential units as well as the floor area of newly completed commercial space in 2019, comparing with those of 2018. The decline in the number of public housing units produced from 2018 to 2019 was also one of the underlying reasons for the drop in the gross output value of the building construction works industry in Hong Kong in 2019.

Gross output value of the building construction works industry in Hong Kong from 2013 to 2023F *(Notes 1 and 2)*



Notes:

1. The forecasted impact of outbreak of COVID-19 on the gross output value of general building construction works industry in Hong Kong is a preliminary forecast and subject to change, depending on the outbreak extent and duration of COVID-19.
2. The building construction works industry is one of the sub-segments of the overall construction industry, hence the gross output value of the building construction works industry is part of the gross output value of overall construction works performed at construction sites in Hong Kong.

Source: Ipsos research and analysis

It is expected that the gross output value of building construction works industry will increase from approximately HK\$119.6 billion in 2020 to approximately HK\$124.6 billion in 2023, at a CAGR of approximately 1.4%. Affected by the slowdown of the growth of overall construction industry in Hong Kong, the growth of building construction works industry in Hong Kong is expected to experience a slowdown in the forecast period. The expected slower growth of the overall construction industry is partially due to the slow down of the growing labour costs in the industry, which in turn, might lead to a moderate growth to the contract value of

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construction projects. The wages of building construction workers, which is the major cost component of each construction project, is anticipated to grow at a CAGR of approximately 3.2% from 2020 to 2023, slower than the historical growth rate at a CAGR of 6.3% from 2013 to 2019. The outbreak of COVID-19 is expected to lead to a short-term decline in the gross output value in the general construction works industry. The gross output value is expected to drop from approximately HK\$120.2 billion in 2019 to approximately HK\$119.6 billion in 2020. It is forecasted that the outbreak of COVID-19 will lead to a drop in the gross output value of the overall construction industry from 2019 to 2020, subject to a number of factors, including but not limited to the outbreak extent and duration of COVID-19. With the slower growth of the major costs component, outbreak of COVID-19 and the slowdown of the growth of overall construction industry, the building construction works industry is forecasted to remain stable during 2020 and 2023. Still, the expected growth is supported by the upcoming development plans and existing construction projects. According to the 2019-20 budget speech, the projected total public housing production of the next five-year period will reach 100,400 units while the latest projection has set a much optimistic target than that of the previous ones. In addition, various development plans, including the Tung Chung New Town Extension and Kai Tak Development, have been commenced. These upcoming and existing construction projects are expected to contribute to the increase in the gross output value of the building construction industry in the forecast period.

THE FORMWORK WORKS INDUSTRY IN HONG KONG

Formwork is a temporary mould which concrete is poured into. It is an essential and indispensable step for building a concrete structure as fresh concrete needs time to harden and needs containment to form the desired shape and size. The demand for formwork works is highly driven by the growth of the building construction works industry in Hong Kong. The design and use of a right formwork system, as well as implementation of an effective resources planning strategy to control and maximise the use of the formwork system, are crucial to the overall success of a construction project. In general, there are two major types of formwork in terms of installation method, which are traditional formwork (using timber and plywood) and system formwork (using aluminium or steel). In general, traditional formwork is more cost effective, due to its lower material costs. However, timber or plywood used in a traditional formwork has a relatively short lifespan and usually can be reused no more than 10 times. Specifically, wooden batten often can be used by approximately 10 times, while wooden board can generally be reused by no more than five times in a construction project. Hence, formwork works contractors, who used traditional formwork, purchase raw materials more frequently. System formwork, on the other hand, has a high initial set up cost but a relatively long life-span. Aluminium and steel used in system formwork are relatively costly, but can generally be reused by over 20 times in a construction project. In recent years, system formwork is becoming more commonly used given that it requires less skilled labour force and provides better finishing to concrete. As the wages of construction workers growing rapidly over the past years and the construction industry often facing the problem of labour shortage, switching from traditional formwork to system formwork can aid formwork works contractors to reduce labour costs and enable shorter recruitment time. Some large-scale projects, such as Tai Wai Station Property Development and Kai Tak Cruise Terminal, employed system formwork.

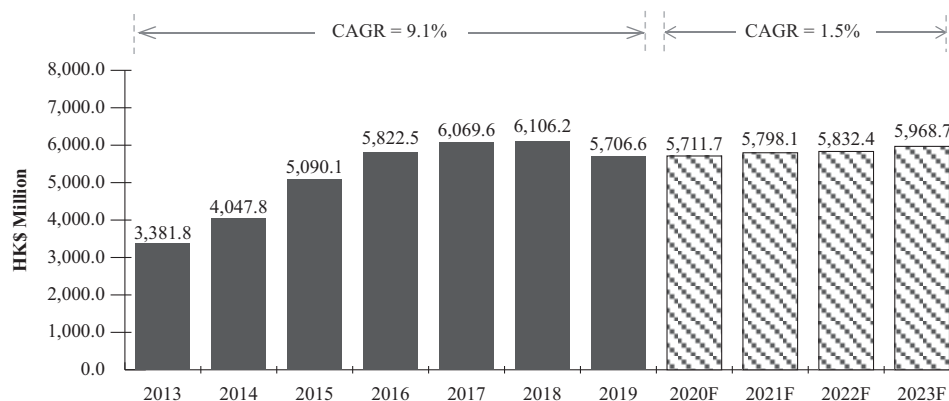
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Typically, main contractors are responsible for supervising the overall progress and quality of the construction project, monitoring the daily operation of the construction site and coordinating subcontractors to carry out construction works. Main contractors would subcontract formwork works to formwork works contractors for (i) the supply of sufficient direct labour as main contractors generally only hire a small number of direct labour on a permanent basis to control cost; and (ii) the necessary experience and expertise in performing specific areas of tasks. It is generally more cost effective to subcontract different parts of construction works to different subcontractors which are specialised in the field of expertise. Formwork works contractors generally act as a subcontractor in a construction project, mainly responsible for managing formwork workers, coordinating sub-subcontractors and supervising the progress and quality of formwork works.

The gross output value of the formwork works industry in Hong Kong

The gross output value of the formwork works industry in Hong Kong increased from approximately HK\$3,381.8 million in 2013 to approximately HK\$5,706.6 million in 2019, at a CAGR of approximately 9.1%. The growth of the industry was driven by the government initiatives to increase housing supply in the public sector and the increasing number of construction projects of private residential buildings. During the period from 2013 to 2019, over 106,000 public housing units were produced by the Housing Authority. Besides, the total number of newly completed private residential units increased with a CAGR of approximately 8.7% from 2013 to 2019. The drop in the gross output value of formwork works industry in Hong Kong from 2018 to 2019 was mainly attributed to (i) the slowdown in the building construction works industry in 2019; and (ii) the drop in the number of newly completed public housing units and private residential units from 2018 to 2019.

**Gross output value of the formwork works industry
in Hong Kong from 2013 to 2023F** *(Notes 1 and 2)*



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Notes:

1. The forecasted impact of outbreak of COVID-19 on the gross output value of formwork works industry in Hong Kong is a preliminary forecast and subject to change, depending on the outbreak extent and duration of COVID-19.
2. The formwork works industry is one of the sub-segments of the overall construction industry, hence the gross output value of the formwork works industry is part of the gross output value of overall construction works performed at construction sites in Hong Kong.

Source: Ipsos research and analysis

Over the forecast period, the gross output value is expected to increase from approximately HK\$5,711.7 million in 2020 to approximately HK\$5,968.7 million in 2023. With the fall-off of public expenditure on infrastructure and the slowdown of the growth of overall construction and building construction works industries, the formwork works industry is forecasted to grow at a slower rate at a CAGR of approximately 1.5% from 2020 to 2023. The expected slower growth of the formwork works industry is partially due to the slow down of the growing labour costs in the industry, which in turn, might lead to a moderate growth to the contract value of construction projects. The wages of formwork workers, one of the major cost components, is anticipated to grow at a CAGR of approximately 2.1% from 2020 to 2023, slower than the historical growth rate at a CAGR of 4.1% from 2013 to 2019. With the slower growth of the major costs component and the slowdown of the building construction works industry, the formwork works industry is forecasted to remain stable during 2020 and 2023. In addition, the outbreak of COVID-19 is expected to slow down the formwork works industry from 2020 to 2021. It is forecasted that the gross output value of the formwork works industry will remain stable from HK\$5,706.6 million in 2019 to HK\$5,711.7 million in 2020, subject to a number of factors, including but not limited to the outbreak extent and duration of COVID-19. The positive year-to-year change of the gross output value of the formwork works industry in Hong Kong from 2019 to 2020 is mainly attributed to the nature of formwork works industry, which can be classified as the mid-early stage of a construction project. Nevertheless, the gross output value is supported by the upcoming development plans and existing construction projects. According to Policy Address 2017, the New Development Area (NDA) plans, including Kwu Tung North NDA and Fanling North NDA, are expected to provide approximately 60,000 flats and 840,000 sq.m. of industrial and commercial floor area. Major site formation and infrastructure works of those projects have been commenced in the late-2019. In addition, a number of large scale infrastructure and public construction projects are under its tender selection process, for example, the construction works on the new Airport Third Runway Extension Project with a total floor area of approximately 300,000 sq.m., the superstructure of the New Air Traffic Control and the construction of Water Supplies Department headquarters and Correctional Services Department headquarters building in Chai Wan with floor area of approximately 96,000 sq.m.. Also, a certain number of public projects are forecasted to open tender in 2020, for example, the redevelopment of Kowloon Tsai Swimming Pool Complex, the construction of Chinese Medicine Hospital in Tseung Kwan O and the construction of district library and residential care home for the elderly in the Joint User Complex in Lei King Road. These projects indicate a strong need for building construction works and formwork works over the forecast period.

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THE POTENTIAL IMPACTS OF THE OUTBREAK OF COVID-19 ON THE OVERALL CONSTRUCTION INDUSTRY AND BUILDING CONSTRUCTION WORKS INDUSTRY IN HONG KONG

The outbreak of COVID-19 in 2020 in Hong Kong is expected to lead to a decrease in the full year revenue of the overall construction industry and building construction works industry with reference to the impact of epidemics, such as SARS in 2003, on the gross value of overall construction works performed by main contractors in Hong Kong. Based on the latest publicly available information, it is expected that the impact of the outbreak of COVID-19 towards the overall construction industry and building construction works industry in Hong Kong is less severe than that of the SARS outbreak. For instance, the current unemployment rate in the construction industry is lower than unemployment rate in the construction industry during the SARS outbreak. According to the Census and Statistics Department, the unemployment in the construction industry from March 2020 to May 2020 was 10.8% while that from March 2003 to May 2003 was 19.4%. In addition, the relief package offered by the Government during the outbreak of COVID-19 is larger than that during the SARS outbreak. The relief package launched during the outbreak of COVID-19 was equivalent to approximately 10% of GDP in 2019 while the relief package launched during SARS outbreak was only equivalent to approximately 1% of GDP in 2003. With these public statistics, the impact of COVID-19 outbreak on the construction industries is expected to be less severe, comparing with the situation during the SARS outbreak. However, the actual situation is subject to a number of factors, including but not limited to the outbreak extent and duration of the outbreak of COVID-19.

PRICE TREND OF MAJOR COST COMPONENTS

The major cost components of a formwork works contractor in Hong Kong include, among others, subcontracting charges, direct labour cost, and cost of construction materials such as plywood, sawn hardwood and steel plate.

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The table below sets forth the major costs in the formwork works industry from 2013 to 2019:

	2013	2014	2015	2016	2017	2018	2019	CAGR (2013–2019)
Average daily wage of workers engaging in formwork works industry (HK\$ per day per worker) (Note)	1,275.1	1,470.3	1,499.2	1,614.9	1,599.8	1,604.8	1,618.6	4.1%
Average daily wage of carpenter (formwork) (HK\$ per day per worker)	1,457.2	1,718.7	1,883.6	2,025.7	1,961.6	1,896.8	1,997.7	5.4%
Plywood – 19 mm thick (HK\$ per m ²)	74.0	75.0	75.0	73.0	75.0	77.0	75.0	0.2%
Sawn Hardwood – 25 mm thick plank (HK\$ per m ³)	3,814.0	3,814.0	4,026.0	4,556.0	4,654.0	4,654.0	4,654.0	3.4%
Aluminium (HK\$ per tonne)	16,273.6	16,461.7	14,479.5	13,755.1	13,985.1	15,475.5	13,159.7	-3.5%

Note: The average daily wage of the workers engaging in the formwork works industry includes bamboo scaffolder, carpenter (formwork), general welder, plant & equipment operator (load shifting), rigger/ metal formwork erector and scaffolder.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis.

Average wages of formwork workers in Hong Kong

The average daily wages of workers engaging in the formwork works industry in Hong Kong increased from approximately HK\$1,275.1 in 2013 to approximately HK\$1,618.6 in 2019, at a CAGR of approximately 4.1%. On the other hand, the average daily wage of carpenter formwork workers, which is one of the major types of workers in the formwork works industry, increased from approximately HK\$1,457.2 in 2013 to approximately HK\$1,997.7 in 2019, at a CAGR of approximately 5.4%. The rising daily wage of workers from 2013 to 2016 was attributed to the large demand for construction projects as well as the intensified labour shortage in the construction industry.

Despite the rising total number of valid registered workers in the formwork works industry, the problem of labour shortage remains. According to the Hong Kong Construction Association, a shortage of carpenter is expected to reach over 500 by 2021. To attract and retain the skilled labour, formwork works contractors were paying higher wages to workers. Nevertheless, the rising number of formwork workers and the slightly slow down construction industry has alleviated the labour shortage in the industry. In 2015 and 2016, many large-scale construction projects, such as the West Kowloon Cultural District, Kai Tak Development and Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, were under its construction peak. These projects pushed up the demand for formwork workers in 2015 and 2016. According to Hong Kong Construction Association, the labour shortage rate for Carpenter

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(Formwork–Building Construction) was approximately 15.8% in November 2016. The shortage of formwork workers pushed up their wage as well as the sub-contracting cost of formwork works contractors. Nevertheless, the rising number of formwork workers and the slightly slow downed construction industry has alleviated the labour shortage in the industry. From 2016 to 2017, the formwork works industry grew at a slower rate at 4.2% and this has partly alleviated the problem of labour shortage in the industry. Therefore, a slight decline in the average daily wage of workers engaging in the formwork works industry is observed from 2016 to 2017.

Plywood

Plywood is widely used as raw material for traditional formwork. The average wholesale price of plywood in Hong Kong remained relatively stable from approximately HK\$74.0 per sq.m. in 2013 to approximately HK\$75.0 per sq.m. in 2019, rising at a CAGR of approximately 0.2%. The stable wholesale price can be attributed to the sufficient supply of plywood in Hong Kong, where over 90% of the plywood in Hong Kong is imported from Mainland China. The price of plywood is, therefore, not directly affected by the international price. The stable wholesale price of plywood benefits formwork works contractors due to stable material costs.

Sawn hardwood

The historical price of sawn hardwood (25mm thick plank) in Hong Kong increased from approximately HK\$3,814.0 per cubic metre in 2013 to approximately HK\$4,654.0 per cubic metre in 2019, at a CAGR of approximately 3.4%. Sawn hardwood is another key material used in timber formwork. Unlike plywood, sawn hardwood is imported from countries such as Canada, Mainland China and Switzerland, the price of sawn hardwood is therefore fluctuated according to the demand and supply in the international market. During 2015 and 2017, the United States, being the largest sawn hardwood exporter in the world, declined its production by approximately 4.0%. The decreasing production in the United States has reduced the international supply of sawn hardwood, in turn, pushed up the international wholesale price and the Hong Kong wholesale price of sawn hardwood. Furthermore, the rising demand for building construction and redevelopment works over the past few years have driven the local demand and increased the average wholesale price of sawn hardwood in Hong Kong.

Aluminium

The price of aluminium decreased from approximately HK\$16,273.6 per tonne in 2013 to approximately HK\$13,159.7 per tonne in 2019, decreasing at a negative CAGR of approximately 3.5%. The declining aluminium price from 2013 to 2016 can be attributed to the overcapacity of aluminium in China, where the excess supply of aluminium was exported to the global market causing the aluminium price in Hong Kong to decrease. Nevertheless, the implementation of supply-side control policy in 2016 reduced aluminium production capacity in China. As a result, the production volume of aluminium in China reduced from 2016 and a slight rebound of aluminium price was observed in 2017. The aluminium price in Hong Kong experienced a surge in 2018, following the international price trend. The surge was caused by the reduction in global aluminium supply. The sanction by the United States on Rusal, the largest aluminium producer

INDUSTRY OVERVIEW

after China, in 2018 and the tight supply of alumina, a key material in making aluminium, has reduced aluminium's supply at the global level. The unstable supply posed uncertainty in the international market and pushed up aluminium price around the globe. The drop in aluminium price in 2019 was mainly attributed to the lift of sanction by the United States on Rusal in January 2019. The lifting of the sanction increased the global supply of aluminium, thus, lowering aluminium price around the globe and Hong Kong.

COMPETITIVE LANDSCAPE OF THE FORMWORK WORKS INDUSTRY IN HONG KONG

Industry Structure

The formwork works industry in Hong Kong is relatively fragmented. As of September 2020, according to the Construction Industry Council, there were 864 contractors on the list of registered contractors under "Concreting Formworks" category.

INDUSTRY OVERVIEW

Top five subcontractors in the formwork works industry in 2019

In 2019, the top five subcontractors in the formwork works industry in Hong Kong accounted for 46.3% of the market share. Given that a large number of players are present in the industry, the formwork works industry is considered to be fragmented. In 2019, our Group generated HK\$434.6 million accounted for approximately 7.6% of the market share.

Rank	Name of company	Headquarter location	Background	Revenue in 2019 ^(Note) (HKD million)	Share of total industry revenue (%)
1	Company A	Hong Kong	A listed company specialised in formwork works in Hong Kong, which was established in 1989	683.2	12.0
2	Company B	Hong Kong	A listed company specialised in formwork works in Hong Kong, which was established in 1994	650.0	11.4
3	Company C	Hong Kong	A listed company specialised in formwork works in Hong Kong, which was established in 1990	437.8	7.7
4	Company D	Hong Kong	A listed company specialised in formwork works in Hong Kong, which was established in 1994	434.6	7.6
5	Our Group	Hong Kong	Our Group has had more than 20 years of experience in the formwork works industry in Hong Kong	434.6	7.6
	Others			3,066.6	53.7
		Total		5,706.6	100%

Note: Data refers to revenue generated by formwork works for the financial year 2019/2020 of the corresponding company, and thus may be different from the total revenue disclosed in the respective companies' annual reports and prospectus. The total revenue of the industry refers to the gross output value of the formwork works industry in Hong Kong in the calendar year 2019.

Source: Ipsos research and analysis

INDUSTRY OVERVIEW

Factors of competition

1. ***Established reliable working relationships with main contractors and raw material suppliers:*** Formwork works contractors are more competitive if they can maintain good relationships with their main contractors and raw material suppliers. Main contractors tend to outsource formwork works to subcontractors with prior history of collaboration. Hence, maintaining good customer relationships increases the opportunities for formwork works contractor to win project tenders. Besides, established long-term business relationships with raw material suppliers provide higher flexibility for formwork works contractor in negotiating prices, resources allocation and project execution compared with their competitors.
2. ***Reputation and credibility:*** Formwork works contractors that deliver and complete formwork works on time, perform quality formwork works and meet safety and environmental requirements would gain reputation and regarded as holding proven track record. Main contractors prefer to outsource the formwork works to the subcontractors with proven track records as these records are the proof of the contractors' capability to manage and allocate the resources for completion of the construction projects.

INDUSTRY DRIVERS AND OPPORTUNITIES OF THE FORMWORK WORKS INDUSTRY IN HONG KONG

In general, an increasing amount of building construction projects will increase the general demand for formwork works.

1. ***Residential and commercial projects:*** In light of the rising population as well as continuous economic development in Hong Kong, the demands for residential buildings and commercial buildings have been increasing continuously. To facilitate the rising demand for residential housing, the Government has taken initiatives to increase the housing supply through different policies, such as the long-term housing strategy to (i) provide more public rental housing units and subsidised sale flats, and (ii) maintain steady land supply for private residential properties. According to the Housing Authority, over 106,000 units of public housing (including both public rental housing units and subsidised sale flats) were built by the Government from 2013 to 2019. On the other hand, the number of newly completed private residential units increased from 8,254 units in 2013 to 13,643 units in 2019, rising at a CAGR of approximately 8.7%. Both public and private housing projects have been driving the development of the formwork works industry. On the other hand, the formwork works industry is also supported by the increasing number of new office buildings, driven by the goal to sustain competitiveness as an international financial centre and the increasing number of companies established in Hong Kong. According to the Rating and Valuation Department, over 1,188,000 sq.m. of office spaces have been established in Hong Kong from 2013 to 2019. The strong demand for office space, which is evidenced by the number of newly-completed office spaces, has been stimulating the growth of the formwork works industry.

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2. ***Urban renewal and redevelopment projects:*** Over the years, various redevelopment projects have commenced in old districts such as To Kwa Wan and Sham Shui Po, by the Urban Renewal Authority (“**URA**”) in Hong Kong. As of 30 June 2019, 1,394 dilapidated building blocks have been redeveloped by the URA. Given the scarcity of developable new lands in Hong Kong, buildings re-habitation proposals of taking down deteriorating old buildings and reconstruction of new building properties drove the development of the building construction industry and formwork works industry.
3. ***Development projects initiated by the Government:*** Various major development plans have been put forward by the Government recently. New Development Areas (“**NDA**”), including the Kwu Tung North NDA as well as Fanling North NDA, are examples of the major on-going development plans initiated by the Government. With the completion of the NDA development plan, the new development area can provide 87 hectares of housing land supply for 71,800 housing units, in which 48,500 units are public housing units. With an increasing number of construction projects brought by these major development programs, it is expected that the demand for formwork works will increase in the future and support the future growth of the formwork works industry.
4. ***Infrastructure development projects:*** Infrastructure development projects have been an industry driver for the formwork works industry over the past five years while on-going projects are going to support the future growth of the industry. Over the past five years, certain number of major infrastructure projects have been completed, such as the South Island Line and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. These infrastructure projects stimulated the demand for formwork works in Hong Kong. Looking forward, high-profile infrastructure projects, for instance, the Tseung Kwun O-Lam Tin Tunnel, the three-runway system project and the Central Kowloon Route, are in progress and expected to be completed by 2021, 2024 and 2025 respectively. These on-going infrastructure projects are anticipated to fuel the future growth of the industry.

ENTRY BARRIERS AND POTENTIAL CHALLENGES OF THE FORMWORK WORKS INDUSTRY

Entry barriers

1. ***Proven practical industry experience and business reputation:*** Proven practical industry experiences and reputation is vital in the formwork works industry in Hong Kong. In general, main contractors outsource the formwork works to formwork works contractors based on their practical industry experiences and business reputation. Proven experiences are used to assess the contractors' abilities to meet the technical, safety, time, and budget requirements of the project. The proven practical industry experiences and good business reputation can increase a contractor's chance of winning a contract in the tendering process. As a result, new entrants, which lack proven practical industry experience and good business reputation, may find it difficult to compete with experienced contractors during the tender process.
2. ***Relationship with main contractors:*** Main contractors often have a higher preference for subcontractors, whom they have previously collaborated with. Therefore, maintaining a good relationship with main contractors enables greater opportunities for a formwork works contractor to win a project. Main contractors often prefer to invite those subcontractors, which have a well established business network with them. New entrants may find it difficult in competing with other existing players, who have built up a solid relationship with main contractors and raw material suppliers.
3. ***Significant level of cash flow requirement:*** Keeping sufficient cash flow is essential for formwork works contractors. During a construction project, significant expenses for the purchase of raw materials, recruitment of skilled labours and payment to other formwork works contractors are required. Besides, it is common in the industry that approximately 5% to 10% of the total contract sum is withheld as retention money, which will only be fully released upon the expiry of the maintenance period. High cash flow liquidity is therefore crucial in order to ensure on-time payment to workers and the flexibility towards resources allocation. Inability in maintaining stable cash flows can lead to deferred payments, and result in project delay as well as a loss of reputation and credibility. Therefore, new entrants with insufficient cash flow may face difficulties in entering the formwork works market.

INDUSTRY OVERVIEW

Potential challenges

1. ***Shortage of labour and ageing workforce:*** The construction industry has been facing the issue of the ageing workforce and labour shortage. The rising labour cost is likely to pose a threat to formwork works industry as labour cost is one of the major costs of the industry. Workers aged 50 or above accounted for a large proportion of workers, and the number of construction workers is expected to drop when these workers start to retire. According to the Construction Industry Council, about approximately 43.3% of the 479,045 registered construction workers were aged 50 or above in December 2019. On the other hand, CIC forecasted a shortage of approximately 5,000 to 10,000 workers from 2020 to 2023. Owing to the ageing workforce and labour shortage in the construction industry, contractors are paying more to retain existing skilled workers and attract younger workforce into the industry. The rising labour costs may result in higher operational costs for formwork works contractors and hindering the further development of the formwork works segment.
2. ***Slowdown of the construction industry in Hong Kong:*** With the completion of large infrastructure projects, the construction industry is expected to experience a slowdown, which may pose a potential threat to the formwork works industry. From 2013 to 2019, the construction industry in Hong Kong experienced substantial growth at a CAGR of 4.9%. However, with the completion of the major infrastructure projects and the absence of large-scale construction projects introduced by the Government, the growth of construction industry is expected to slow down, which may hinder the growth of the formwork works industry. Nevertheless, the Government has proposed various development plans, such as the NDA projects as well as the Tung Chung New Town Extension project, to underpin the construction industry in Hong Kong in the future. It is expected that the formwork works industry can benefit from these projects.

REGULATORY OVERVIEW

OVERVIEW

We are a well-established subcontractor in Hong Kong specialising in the provision of formwork works services. This section sets forth a summary of the laws and regulations applicable to our business operations in Hong Kong.

LABOUR, HEALTH AND SAFETY

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. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor include, amongst others:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangements in ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- providing such information, instruction, training and supervision as is necessary to ensure the health and safety at work of all persons employed by him at the industrial undertaking;
- 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
- providing and maintaining a work environment for all persons employed by him under the industrial undertaking that it is safe and is without risks to health.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these requirements willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

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Matters regulated under the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), one of the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, include, amongst others, (i) the prohibition of employment of persons under 18 years of age on construction sites (save for certain exceptions); (ii) the maintenance, inspection and operation of hoists; (iii) the duty to ensure safety of workplaces (including the duty to ensure that, so far as reasonably practicable, suitable and adequate safe access to and egress from a place of work is provided and properly maintained); (iv) the prevention of falls (including taking adequate steps to prevent a person on a place where the construction work is being carried out from falling from a height of two metres or more); (v) the duty to ensure the scaffold is not dismantled except by workman who is under the immediate supervision of a competent person; (vi) the duty to comply with miscellaneous safety requirements; and (vii) the provision of first aid facilities. Non-compliance with any of these rules constitutes an offence and different levels of penalty will be imposed, and a contractor guilty of the relevant offence could be liable to a fine of up to HK\$200,000 and to imprisonment for up to 12 months.

Pursuant to the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), a proprietor or a contractor shall have various duties, including: (i) attending to the development, implementation and maintenance of a safety management system which contains the elements specified in part 1 of schedule 4 to this regulation; (ii) attending to the preparation and revision as often as may be necessary a written policy statement in relation to the safety policy of the relevant industrial undertaking; (iii) attending to the establishment of safety committee; (iv) attending to the appointment of registered safety auditor to conduct safety audit (not less once in each six months, where the relevant industrial undertaking which involves construction work comes into existence); and (v) attending to the appointment of safety review officer to conduct safety review (not less once in each six months, where the relevant industrial undertaking which involves construction work comes into existence). Non-compliance with any of these prescribed duties constitutes an offence punishable by a fine of up to (a) HK\$200,000 and imprisonment of up to six months in relation to items (i), (iv) and (v) above; and (b) HK\$100,000 and imprisonment of up to three months in relation to items (ii) and (iii) above.

Pursuant to the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong), a proprietor shall employ a person as a full time safety officer and safety supervisor in the manner specified in the said regulation, including: (i) ensuring that the said employee's duties are carried out under his supervision or under the supervision of a person who has direct and effective control over the work carried on in the industrial undertaking; (ii) providing all such assistance, equipment, facilities and information as may be necessary for the employee to properly carry out his duties; and (iii) ensuring that a person employed as a safety supervisor is not required to carry out other work of a nature or to the extent that would prevent the proper carrying out of his duties. Non-compliance with any of these rules constitutes an offence punishable by a fine of up to HK\$50,000.

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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 both industrial and non-industrial workplaces.

Employers must ensure the safety and health of their employees in their workplaces, so far as reasonably practicable, by:

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

Failure to comply with any of 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.

The Commissioner for Labour may also issue (i) an improvement notice against any non-compliance with the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance; or (ii) a suspension notice against an employer if in general an activity is undertaken at the workplace which may create an imminent hazard to the employees. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 (and a further fine of HK\$50,000 for each day or part of a day during which the offender knowingly and intentionally continues the contravention), respectively, and imprisonment of up to 12 months.

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.

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The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such degree of care as to the circumstances of the case reasonably requires, so as to ensure that visitors will be reasonably safe whilst using the premises for the purposes invited for or permitted by the occupier.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. a 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 the construction site; or (ii) prevent illegal workers who are not lawfully employable from taking employment on the construction 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 (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.

Pursuant to section 3 of the Construction Workers Registration Ordinance, 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.

Pursuant to section 5 of the Construction Workers Registration Ordinance, 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.

Following the amendment of the Construction Workers Registration Ordinance in 2014, the requirements of “designated workers for designated skills” have been implemented under the construction workers registration system in April 2017. Skilled construction workers are required to register according to their respective skills.

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

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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.

Pursuant to section 23 of the Employment Ordinance, wages shall become due on the expiry date of the last day of the wage period and shall be paid as soon as is practicable, but in any case, not later than seven days thereafter. Pursuant to section 63C of the Employment Ordinance, any person who willfully and without reasonable excuse contravenes this section commits an offence and is liable to a fine of HK\$350,000 and to imprisonment for three years.

Pursuant to section 43C of the Employment Ordinance, 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 to such employee by the principal contractor and/or every superior subcontractor jointly and severally (as the case may be).

Additionally, under section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, such wages shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (i) claim contribution from every other such superior subcontractor to the indebted employer or from the principal contractor and every superior subcontractor to the indebted employer, as the case may be; or (ii) deduct by way of set-off the amount paid by him from any sum due or which may become due to the indebted employer in respect of the work to whom it has been subcontracted.

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.

Pursuant to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour (as defined under the Occupational Safety and Health Ordinance) of a work accident by submitting a Form 2 within 14 days for general work accidents or within seven days for fatal accidents or a Form 2B within 14 days of accidents resulting in incapacity for a period not exceeding three days. The employer must submit a Form 2 or Form 2B irrespective of whether the accident gives rise to any liability for the employer to pay compensation. If the occurrence of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days, respectively, the Form 2 must be submitted not later than seven and 14 days, respectively, as the case may be, after the occurrence of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

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Under the Employees' Compensation Ordinance, if an employee sustains an injury or deceases 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, an employee who suffers incapacity or deceases as a result of an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Pursuant 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 employees. 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.

Pursuant to section 40 of the Employees' Compensation Ordinance, 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, he may take out an insurance policy for an amount of 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 his subcontractor(s) 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.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

Pursuant to section 15 of the Minimum Wage 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.

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Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

The Mandatory Provident Fund Schemes Ordinance provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement (the “MPF”).

Under the Mandatory Provident Fund Schemes Ordinance, every employer of a relevant employee must take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period after the relevant time. The employer and his relevant employees of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees’ relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance, expressed in monetary terms, paid or payable by an employer (directly or indirectly) to the relevant employees in consideration of their employment under their employment contracts. Section 43B of the Mandatory Provident Fund Schemes Ordinance provides that an employer, who fails to make timely MPF contributions for its employees or fails to ensure each of its employees to become a member of a registered MPF scheme within the permitted period, shall be liable to a maximum fine of HK\$350,000 and to imprisonment of up to three years and a daily penalty of HK\$500 for each day on which the offence is continued. According to section 43B(4) of the Mandatory Provident Fund Schemes Ordinance, prosecution of offences under this ordinance may be instituted within six months after the offence is discovered by or comes to the notice of the MPF Authority.

Furthermore, the industry schemes (the “**Industry Schemes**”) were established under the mandatory provident fund 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 Schemes. This is not only convenient for scheme members but also reduces administrative costs.

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Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance regulates, among others, the imposition of taxes on earnings and profits in Hong Kong.

Under the Inland Revenue Ordinance, every person chargeable to tax for any year of assessment shall inform the Commissioner of Inland Revenue in writing that he is so chargeable not later than four months after the end of the basis period for that year of assessment unless he has already been required to furnish the relevant return. “Person” includes a corporation, partnership, trustee, whether incorporated or unincorporated, or body of persons.

Any person who, without reasonable excuse, fails to comply with the above requirement commits an offence and is liable on conviction to a maximum fine of HK\$10,000 and a further fine of treble the undercharged amount.

Furthermore, under the Inland Revenue Ordinance:

- an employer shall, when required to do so by notice in writing given by an assessor, furnish within a reasonable time stated in such notice a return containing the names and places of residence and the full amount of the remuneration, whether in cash or otherwise, for the period specified in the notice of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor and any other person employed by him named by the assessor;
- an employer who commences to employ in Hong Kong an individual who is or is likely to be chargeable to salary tax shall give notice in writing to the Commissioner of Inland Revenue not later than three months after the date of commencement of such employment, stating the full name and address of the individual, the date of commencement and the terms of employment; and
- an employer who ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to salary tax shall give notice in writing to the Commissioner of Inland Revenue not later than one month before such individual ceases to be employed in Hong Kong, stating the name and address of the individual and the expected date of cessation.

Failure to comply with any of the above provisions constitutes an offence and is liable on conviction to a fine of HK\$10,000, and the court may order the person convicted within a time specified in the order to do the act which he has failed to do so.

Under the Inland Revenue Ordinance, any person without reasonable excuse fails to comply with the requirements of a notice given to him shall be liable to be assessed under the Inland Revenue Ordinance to additional tax of an amount not exceeding treble the tax which has been undercharged in consequence of the failure to comply with the relevant notice.

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ENVIRONMENTAL PROTECTION

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

The Air Pollution Control Ordinance (the “**Air Pollution Control Ordinance**”) is the principal legislation in Hong Kong for regulating 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 without limitation 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 (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 (including Sundays).

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 (including Sundays), 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 a second or subsequent conviction(s) 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.

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Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, manufacturing, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), it is subject to licensing controls by the Director of Environmental Protection.

All discharges, other than domestic sewage to a communal sewer or unpolluted water to a communal drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent, and the general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

Pursuant to the Water Pollution Control Ordinance, unless licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters or discharges any matter other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (i) for a first offence, a fine of HK\$200,000; (ii) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

The Waste Disposal Ordinance regulates 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 to imprisonment for six months for the first offence, and to a fine of HK\$500,000 and to imprisonment for two years for a second or subsequent offence.

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Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 to the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted otherwise.

Pursuant to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 to the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 to the Environmental Impact Assessment Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (iii) on a first summary conviction to a fine of HK\$100,000 and to imprisonment for six months; and (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

The emission of dust from any buildings under construction or demolition in such manner as to constitute a nuisance is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is HK\$10,000 upon conviction and with a daily fine of HK\$200.

The discharge of water waste from a construction site is actionable under the Public Health and Municipal Services Ordinance. The maximum fine is HK\$50,000 upon conviction.

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

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

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LICENSING/REGISTRATION REGIME

The Construction Industry Council

The Subcontractor Registration Scheme

The subcontractor registration scheme (the “**Former Registration Scheme**” or the “**SRS**”) was introduced and implemented by the Construction Industry Council for trade subcontractors taking part in building and engineering works so as to build up a pool of capable and responsible subcontractors with specialised skills and professional ethics. The Former Registration Scheme was implemented in phases, at first of which comprised a primary register (being a list of companies registered in accordance with Rules and Procedures for the Primary Register of the Subcontracting Registration Scheme) (the “**Former Register**”).

The Former Registration Scheme was overseen by a management committee which assumed responsibility for enforcing the registration rules and procedures, screening and approving applications for registration, as well as instigating regulatory actions.

Pursuant to the Former Registration Scheme, where a contractor was to sub-contract part of the public works involving 52 trades and specialties covering common structural, civil, finishing, electrical and mechanical works and supporting services available under the Former Register, he shall only engage subcontractors (whether nominated, specialist or domestic) who were registered under the relevant trades in the Former Register. Should the subcontractors further subcontract (irrespective of the tier) any part of the public works subcontracted to them involving trades available under the Former Register, the contractor shall ensure that all subcontractors (irrespective of the tier) were registered under the relevant trades in the Former Register.

The Registered Specialist Trade Contractors Scheme

Overview

With effect from 1 April 2019, the Former Registration Scheme has been further reformed and renamed as the Registered Specialist Trade Contractors Scheme (the “**RSTCS**”) together with a couple of enhancement.

The RSTCS comprises two registers namely the register of specialist trade contractors (“**Register I**”) and the register of subcontractors (“**Register II**”). Register I is applicable for the RSTCS of seven designated trades including demolition, reinforcement bar fixing, erection of concrete precast component, concreting formwork, concreting, scaffolding and curtain wall, while Register II is applicable for registered subcontractor of other common civil, building, electrical and mechanical trades.

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All existing subcontractors who are registered under the seven trades namely demolition, concreting formwork, reinforcement bar fixing, concreting, scaffolding, curtain wall and erection of concrete precast component of the SRS have automatically become registered specialist trade contractors under Group 1 of Register I and no application is required. However, they shall fulfill all registration requirements within the three-year grace period or otherwise the registration will be cancelled. All subcontractors who are registered under the remaining trades of the SRS have been retained as registered subcontractors under the RSTCS and no application is required.

Registered specialist trade contractors

The registered specialist trade contractors within each designated trade are further divided into Group 1 or 2 according to the registration requirements fulfilled by them. A registered specialist trade contractor's status in Group 1 will be either 'probationary' or 'confirmed'.

For new registered specialist trade contractor applicants, they shall satisfy the registration requirements under the five core elements of safety, management experiences, execution and finance as set out in Schedule 2 to the Rules and Procedures for the Register of Specialist Trade Contractors for each designated trade.

A registered specialist trade contractor shall make an application of renewal to the Construction Industry Council not earlier than six months before and not later than three months before the specified date of expiry of the registered specialist trade contractor's registration. An approved renewal of registration shall be valid for a period of not less than three years from the date of approval of the renewal.

A registered specialist trade contractor shall observe the Codes of Conducts Guidance Document as set out in Schedule 3 to the Rules and Procedures for the Register of Specialist Trade Contractors. Failing of which may result in regulatory actions taken by the committee of the Construction Industry Council.

Registered subcontractors

Registered subcontractor applicants shall continue to adopt the prevailing registration entry requirements under the rules and procedures of the Former Registration Scheme, for example, (i) proof of completion of at least one job within five years as a principle contractor or subcontractor in the areas which it is applying to or comparable experience by itself or through its proprietors, partners or directors within the last five years; or (ii) having been employed whether by itself or through its proprietors, partners or directors having been employed by a registered subcontractor for at least five years with experience in the trade or specialty which it is applying to and having completed all the modules of the Project Management Series for Subcontractors as conducted by the Construction Industry Council.

REGULATORY OVERVIEW

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application for renewal to the Construction Industry Council, which shall be subject to the approval by the committee of the Construction Industry Council. An approved renewal of registration shall be valid for three or five years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor as set out in Schedule 8 to the Rules and Procedures of the Former Registration Scheme. Failing of which may result in regulatory actions taken by the committee of the Construction Industry Council.

COMPLIANCE WITH THE RELEVANT REQUIREMENTS

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in the section headed “Business – Non-compliances” and “Business – Litigation and claims” in this prospectus, our Group had complied with all relevant laws applicable to our Group’s business operations in all material respects, and had obtained all the registration and certifications required for our business and operations in Hong Kong, and all of them were in force as at the Latest Practicable Date.

LAWS EXPECTED TO COME INTO FORCE WHICH MAY IMPACT OUR BUSINESS

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

The Government is currently formulating 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, the 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) which has an original value in excess of HK\$5 million will be caught in private sector. However, where the SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

The new legislation will amongst others:

- prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums;
- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments;

REGULATORY OVERVIEW

- 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
- allow parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

It is probable that some of our contracts will be caught by the new SOPL and where such contracts are subject to the SOPL, we will have to ensure that their terms comply with the legislation in this regard. The SOPL is designed to assist contractors throughout any events of contractual change to ensure cash-flow and access to a swift dispute resolution process.

As at the Latest Practicable Date, the implementation date of the SOPL had not been announced.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR BUSINESS DEVELOPMENT

The history of our Group can be traced back to December 1998 when Temmex, being the first of our three principal operating subsidiaries in Hong Kong, commenced its formwork works business as a subcontractor in Hong Kong, which was then owned as to 50% each by Mr. Leung and an Independent Third Party, respectively. Mr. Leung became the sole shareholder of Temmex on 8 January 2010 after he acquired 5,000 shares in, representing 50% of the total number of issued shares of, Temmex from the Independent Third Party. Mr. Leung has accumulated over 30 years of experience in the formwork works industry, having first started as a formwork works apprentice in the late 1970s in Hong Kong. Drawing on his experience in the formwork works industry, Temmex commenced its operations in 1998 with an aim to specialise in the provision of formwork works services as a subcontractor in Hong Kong.

Under the leadership of Mr. Leung, our formwork works business achieved steady growth and success. Over the years, Mr. Leung incorporated our Group's two other principal operating subsidiaries, Temmex Brothers and Kennex, on 9 October 2008 and 23 March 2015, respectively, to further expand our Group's working capacity and capabilities, so as to enhance its position in the formwork works industry in Hong Kong. In this regard, Temmex Brothers also specialises in the provision of formwork works services as a subcontractor in Hong Kong. Further, via the operation of Kennex that owns our metal scaffold equipment and related parts, we have reduced our reliance on third party suppliers in renting metal scaffold equipment, which in turn allows us to have better control and flexibility over costs and project schedule.

As at the Latest Practicable Date, each of Temmex and Temmex Brothers was registered with the CIC as a registered specialist trade contractor (with designated trade specialty of concreting formwork (S02)).

The following table sets out our Group's key development milestones:

Year	Event
1998	Temmex was incorporated in Hong Kong and later commenced its business operations in the provision of formwork works services in Hong Kong
2007	Temmex was registered with the CIC as a registered specialist trade contractor (with designated trade specialty of concreting formwork (S02)) <i>Note 1</i>
2008	Temmex Brothers was incorporated in Hong Kong as part of our Group's expansion plans
2010	Temmex Brothers was first registered with the CIC as a registered specialist trade contractor (with designated trade specialty of concreting formwork (S02)) <i>Note 2</i>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2011	We obtained the contract regarding the provision of formwork works services to Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, which is one of the Ten Major Infrastructure Projects, with an initial contract sum of approximately HK\$60.9 million
2015	Kennex was incorporated in Hong Kong and later commenced its business operations in providing metal scaffold equipment and related parts to our Group in Hong Kong
2016	We obtained the contract regarding the provision of formwork works services to Kai Tak Development, which is also one of the Ten Major Infrastructure Projects
2019	Temtex was accredited (i) ISO9001:2015 in relation to quality management system standard, applicable to the provision of formwork works services; (ii) ISO14001:2015 in relation to environmental management system standard, applicable to the provision of formwork works services; and (iii) ISO45001:2018 in relation to occupational health and safety (OHS) management system standard, applicable to the provision of formwork works services Our Group began using aluminium to provide system formwork works services

Notes:

1. The registration of Temtex as a registered specialist trade contractor (formerly known as a registered subcontractor) with the CIC was renewed upon each expiry since 28 September 2007, with the current registration being valid until 27 September 2022.
2. The registration of Temtex Brothers as a registered specialist trade contractor (formerly known as a registered subcontractor) with the CIC was renewed upon each expiry since 29 January 2010, with the current registration being valid until 28 January 2023.

CORPORATE HISTORY

Our Company has a number of subsidiaries incorporated in the BVI and Hong Kong. Details of our Company and the major subsidiaries of our Group and their respective corporate histories are set forth below.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated on 31 May 2019 as an exempted company under the Companies Law in the Cayman Islands. As a result of the Reorganisation, our Company became the holding company of our Group, for further details, please refer to the paragraph headed “Reorganisation” in this section.

Incorporation and development of our principal operating subsidiaries in Hong Kong

We undertake our formwork works services business through three principal operating subsidiaries incorporated in Hong Kong. For the purpose of Listing, we incorporated a number of intermediate holding companies in the BVI to hold all of our principal operating subsidiaries upon completion of the Reorganisation, for further details, please refer to the paragraph headed “Reorganisation” in this section.

We describe below the corporate history of our principal operating subsidiaries before the commencement of the Reorganisation.

Temmex

On 21 October 1998, Temmex was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each, of which two shares were allotted and issued to two independent initial subscribers. Temmex provides formwork works services as a subcontractor in Hong Kong.

On 11 December 1998, the first and second independent initial subscribers transferred their respective one share in Temmex to Mr. Leung and an Independent Third Party, respectively, at par and such transfers were legally completed on the same date.

On 12 December 1998, the number of shares of Temmex was increased from two shares to 10,000 shares by way of allotment and issue pursuant to which 4,999 shares and 4,999 shares were allotted and issued to Mr. Leung and the Independent Third Party, respectively. Upon completion of the allotment and issue on 12 December 1998, the interest of Temmex was held as to 50% each by Mr. Leung and the Independent Third Party, respectively.

On 8 January 2010, the Independent Third Party sold and transferred his 5,000 shares in, representing 50% of the total number of issued shares of, Temmex to Mr. Leung at a consideration of HK\$5,000 which was determined with reference to the par value of each share of Temmex at the time of transfer after arm’s length negotiation. The consideration of HK\$5,000 was settled by Mr. Leung’s fund. Upon completion of the share transfer, Temmex became 100% owned by Mr. Leung.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Save as disclosed above, Temmex has not undergone any other changes in its share capital since its incorporation and before the Track Record Period. As at the Latest Practicable Date, its issued capital was HK\$10,000. Immediately before the Reorganisation, the interest of Temmex was 100% held by Mr. Leung.

Temmex Brothers

On 9 October 2008, Temmex Brothers was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each, of which 6,000 shares and 4,000 shares were issued to Mr. Leung and Mr. Chung Chun Piu, respectively. The incorporation was part of our Group's strategic development to diversify business risks by expanding its working capacity and capabilities. At the time of incorporation, it was Mr. Leung's intention to establish a second business operating team with Temmex Brothers to attract more customers. On our Group level, Mr. Leung aimed that Temmex and Temmex Brothers would ultimately be serving different portfolios of customers. In January 2010, Temmex Brothers was first registered with the CIC as a preparation for our Group to cater its potential future needs in increasing its traditional formwork works working capacity.

On 25 July 2017, Mr. Chung Chun Piu transferred to Mr. WC Leung 4,000 shares in, representing 40% of the total number of issued shares of, Temmex Brothers at a consideration of HK\$4,000, which was settled by Mr. Leung's funds; and Mr. Leung transferred to Mr. WC Leung 6,000 shares in, representing 60% of the total number of issued shares of, Temmex Brothers, at a consideration of HK\$6,000 (the "**Share Transfers**"). Given that Temmex Brothers was loss making since its incorporation up to the financial year ended 31 March 2017, the consideration of the Share Transfers was determined with reference to the par value of each share of Temmex Brothers at the time of transfer after an arm's length negotiation.

On the same date, Mr. Leung and Mr. WC Leung entered into a declaration of trust (the "**Declaration of Trust**"), pursuant to which Mr. WC Leung declared to hold 10,000 shares in, representing 100% of the total number of issued shares of, Temmex Brothers as nominee and trustee in favour of and for the sole benefit of Mr. Leung. As such, the 100% interest of Temmex Brothers is beneficially owned by Mr. Leung and legally owned by Mr. WC Leung. The Share Transfers and the Declaration of Trust were a family arrangement and intended as a succession plan in order to groom and develop Mr. WC Leung's management and operational skills. In this regard, Mr. WC Leung has been appointed as a director of Temmex Brothers since July 2017. For details of the roles and responsibilities of Mr. Leung and Mr. WC Leung in our Group, please refer to the section headed "Directors and senior management" in this prospectus.

Save as disclosed above, Temmex Brothers has not undergone any other changes in its share capital since its incorporation and before the Track Record Period. As at the Latest Practicable Date, its issued capital was HK\$10,000. Immediately before the Reorganisation, the interest of Temmex Brothers was 100% held by Mr. WC Leung as trustee for and on behalf of Mr. Leung under the Declaration of Trust.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Kennex

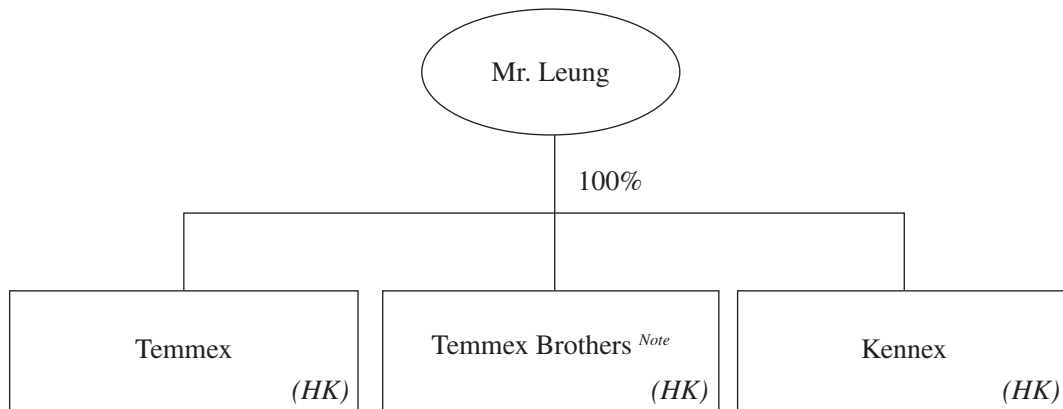
On 23 March 2015, Kennex was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each, of which 10,000 shares were issued to Mr. Leung. Kennex supplies metal scaffold equipment and related parts to our operating subsidiaries, Temmex and Temmex Brothers, respectively, to facilitate our formwork works services operations.

Save as disclosed above, Kennex has not undergone any other changes in its share capital since its incorporation and before the Track Record Period. As at the Latest Practicable Date, its issued capital was HK\$10,000. Immediately before the Reorganisation, the interest of Kennex was 100% held by Mr. Leung.

REORGANISATION

For the purpose of the Listing, we underwent the Reorganisation as a result of which our Company became the holding company of our Group.

The following diagram illustrates the corporate structure of our Group immediately before the commencement of the Reorganisation:



Note: On 25 July 2017, Mr. WC Leung and Mr. Leung executed the Declaration of Trust.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Reorganisation involved the following major steps:

Stage (1) – Incorporation of Sky Mission

On 12 February 2019, Sky Mission was incorporated under the laws of the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On the same date, one share in, representing 100% of the total number of issued share of, Sky Mission was allotted and issued by Sky Mission to Mr. Leung. Upon the said allotment and issue, Sky Mission is 100% held by Mr. Leung.

Stage (2) – Incorporation of our Company

On 31 May 2019, our Company was incorporated under the laws of the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. One Share, representing 100% of the total number of issued Shares, was issued and allotted, credited as fully paid, to the initial subscriber pursuant to the Memorandum and Articles, which was subsequently transferred to Sky Mission on the same date. Upon the said allotment and issue and share transfer, our Company is 100% held by Sky Mission.

Stage (3) – Incorporation of Everbright, Evergreen and Evergrow

Everbright

On 18 July 2019, Everbright was incorporated in the BVI and was authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. On the same date, one share in, representing 100% of the total number of issued share of, Everbright was allotted and issued by Everbright to our Company. Upon the said allotment and issue, Everbright is 100% held by our Company.

Evergreen

On 18 July 2019, Evergreen was incorporated in the BVI and was authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. On the same date, one share in, representing 100% of the total number of issued share of, Evergreen was allotted and issued by Evergreen to our Company. Upon the said allotment and issue, Evergreen is 100% held by our Company.

Evergrow

On 18 July 2019, Evergrow was incorporated in the BVI and was authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. On the same date, one share in, representing 100% of the total number of issued share of, Evergrow was allotted and issued by Evergrow to our Company. Upon the said allotment and issue, Evergrow is 100% held by our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Stage (4) – Acquisition of Temmex, Temmex Brothers and Kennex by Everbright, Evergreen and Evergrow, respectively

A. Acquisition of Temmex by Everbright

On 26 November 2019, Mr. Leung entered into an agreement for sale and purchase of shares (the “**Temmex SPA**”) with Everbright in relation to the sale of his 10,000 shares in, representing 100% of the total number of issued shares of, Temmex to Everbright, at a consideration of HK\$100.

Pursuant to the Temmex SPA, the parties agreed to settle the consideration by our Company allotting and issuing 827 Shares which is determined with reference to the net assets values as stated in the unaudited management accounts of each of Temmex, Temmex Brothers and Kennex as at 31 August 2019 and the proportion thereof, credited as fully paid, to Sky Mission.

Upon completion of the Temmex SPA, Temmex became an indirect wholly-owned subsidiary of our Company.

B. Acquisition of Temmex Brothers by Evergreen

On 26 November 2019, Mr. WC Leung (as nominee and trustee for and on behalf of Mr. Leung under the Declaration of Trust), as vendor, entered into an agreement for sale and purchase of shares (the “**TMB SPA**”) with Evergreen, as purchaser, in relation to the sale of his 10,000 shares in, representing 100% of the total number of issued shares of, Temmex Brothers to Evergreen, at a consideration of HK\$100.

On the instruction of Mr. Leung, the ultimate beneficiary under the Declaration of Trust, Mr. WC Leung and Evergreen agreed to settle the consideration by our Company allotting and issuing 172 Shares which is determined with reference to the net assets values as stated in the unaudited management accounts of each of Temmex, Temmex Brothers and Kennex as at 31 August 2019 and the proportion thereof, credited as fully paid, to Sky Mission.

Upon completion of the TMB SPA, Temmex Brothers became an indirect wholly-owned subsidiary of our Company, and the nominee shareholding arrangement between Mr. WC Leung as trustee and Mr. Leung as beneficiary under the Declaration of Trust became terminated.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

C. Acquisition of Kennex by Evergrow

On 26 November 2019, Mr. Leung entered into an agreement for sale and purchase of shares (the “**Kennex SPA**”) with Evergrow in relation to the sale of his 10,000 shares in, representing 100% of the total number of issued shares of, Kennex to Evergrow, at a consideration of HK\$100.

Pursuant to the Kennex SPA, the parties agreed to settle the consideration by our Company allotting and issuing 100 Shares which is determined with reference to the net assets values as stated in the unaudited management accounts of each of Temmex, Temmex Brothers and Kennex as at 31 August 2019 and the proportion thereof, credited as fully paid, to Sky Mission.

Upon completion of the Kennex SPA, Kennex became an indirect wholly-owned subsidiary of our Company.

Stage (5) – Increase in the authorised share capital of our Company

The authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 3,962,000,000 Shares.

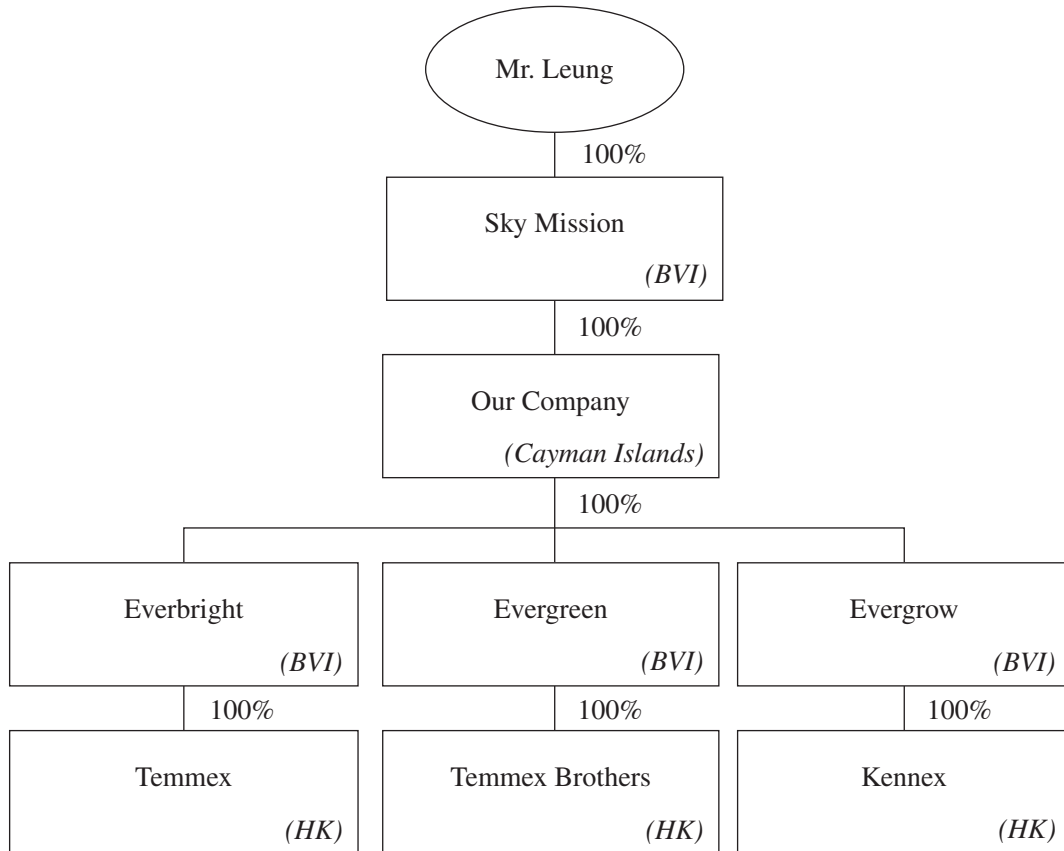
THE SHARE OFFER AND THE CAPITALISATION ISSUE

Assuming the Share Offer becomes unconditional, our Company will offer new Shares representing not less than 25% of the total number of issued Shares for subscription by the public, selected professional, institutional and other investors pursuant to the Share Offer.

Conditional upon the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares, our Directors are authorised to capitalise an amount of HK\$11,999,989 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par a total of 1,199,998,900 Shares for allotment and issue to Sky Mission, representing not more than 75% of the total number of issued Shares upon Listing.

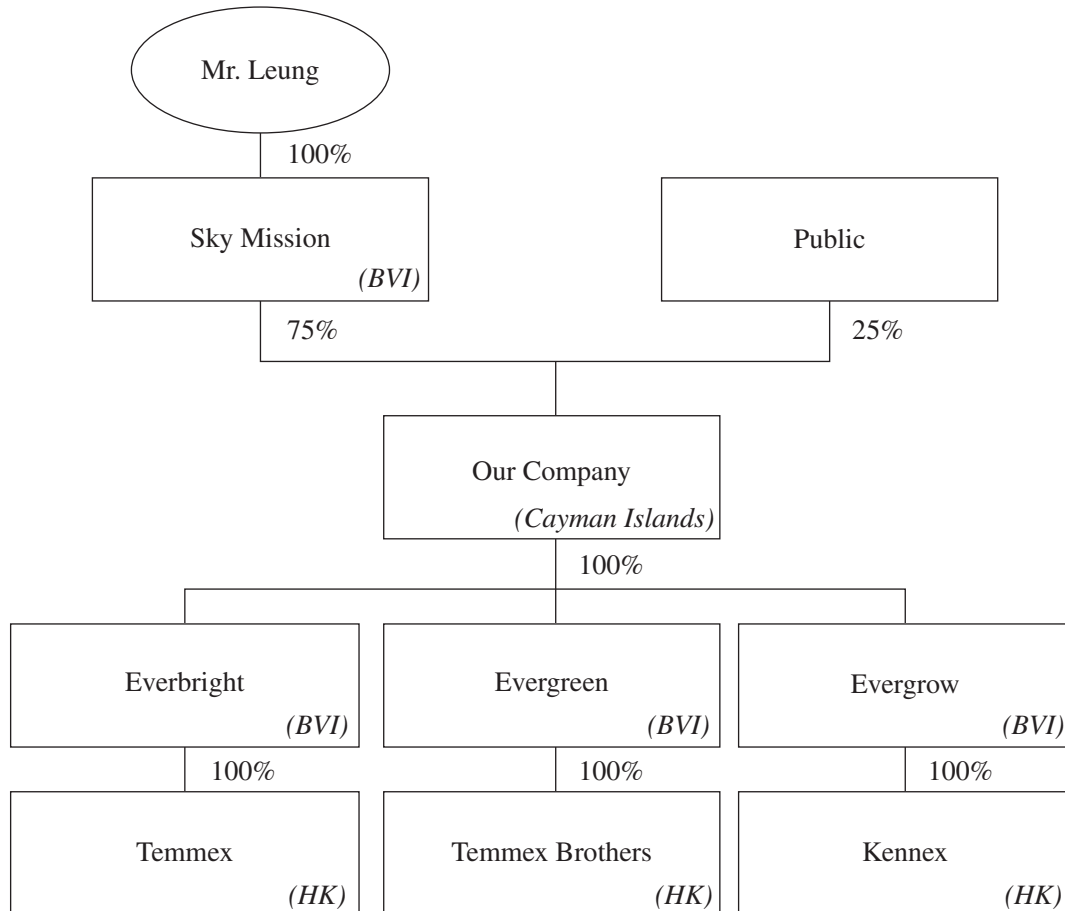
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram illustrates the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but prior to completion of the Share Offer and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram illustrates the shareholding and corporate 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 pursuant to the exercise of the Over-allotment Option):



BUSINESS

OVERVIEW

We are an established formwork works subcontractor in Hong Kong with an operating history of over 20 years. Our Group has a deep-rooted presence and positions ourselves as one of the major subcontractors in the formwork works industry in Hong Kong. During FY2017, FY2018, FY2019 and FY2020, we generated approximately HK\$440.1 million, HK\$415.3 million, HK\$505.2 million and HK\$434.6 million in revenue from 20, 23, 29 and 37 projects, respectively, comprising the entirety of our revenue of each of the respective years. Based on the project nature, our projects can be categorised into (i) building construction projects and (ii) civil engineering projects. The following table sets out our revenue during the Track Record Period by reference to the nature of our projects:

	FY2017			FY2018			FY2019			FY2020		
	No. of projects		Revenue	No. of projects		Revenue	No. of projects		Revenue	No. of projects		Revenue
	(Note 3)	HK\$'000	%	(Note 3)	HK\$'000	%	(Note 3)	HK\$'000	%	(Note 3)	HK\$'000	%
Building construction ^(Note 1)	15	248,684	56.5	18	331,789	79.9	22	489,234	96.8	31	360,964	83.1
Civil engineering ^(Note 2)	5	191,440	43.5	5	83,534	20.1	7	15,954	3.2	6	73,660	16.9
Total	20	440,124	100	23	415,323	100	29	505,188	100	37	434,624	100

Notes:

1. Building construction projects involve the erection of residential buildings, commercial buildings and/or institutional buildings.
2. Civil engineering projects involve the construction of infrastructure.
3. The number of projects is determined based on the number of projects for which revenue was recognised during the relevant financial year.

BUSINESS

We have completed 40 formwork works projects during the Track Record Period with an aggregate original contract sum amounting to approximately HK\$1,688.0 million. All of our works were project-based. The formwork works projects undertaken by us originated from both public sector (including projects where the ultimate customers of the projects are Government departments and statutory bodies) and private sector (including projects where the ultimate customers of the projects are not Government departments or statutory bodies). The revenue attributable to public sector projects and private sector projects by provision of formwork works during the Track Record Period were as follows:

	FY2017			FY2018			FY2019			FY2020		
	No. of projects	Revenue		No. of projects	Revenue		No. of projects	Revenue		No. of projects	Revenue	
	<small>(Note 3)</small>	HK\$'000	%	<small>(Note 3)</small>	HK\$'000	%	<small>(Note 3)</small>	HK\$'000	%	<small>(Note 3)</small>	HK\$'000	%
Public sector <small>(Note 1)</small>	6	91,173	20.7	9	124,771	30.0	15	225,270	44.6	14	202,798	46.7
Private sector <small>(Note 2)</small>	14	348,951	79.3	14	290,552	70.0	14	279,918	55.4	23	231,826	53.3
Total	20	440,124	100	23	415,323	100	29	505,188	100	37	434,624	100

Notes:

1. Public sector projects include those projects where the ultimate customers are Government departments and/or statutory bodies.
2. Private sector projects include projects where the ultimate customers are not Government departments nor statutory bodies.
3. The number of projects is determined based on the number of projects for which revenue was recognised during the relevant financial year.

Our Directors estimate that the aggregate outstanding contract sum of our on-going projects was approximately HK\$726.0 million as the Latest Practicable Date.

During the Track Record Period, our Group predominantly provided traditional formwork to our customers by using timber and plywood. For part of the formwork works in our three projects during the Track Record Period, our Group has applied system formwork by using aluminium formwork which is more environmentally friendly materials for the repeated structure of the buildings. Our Directors believe that the application of system formwork in such projects could facilitate our study of tendering projects involving system formwork in the future. The projects involving system formwork were (i) a public building construction project involving the construction of hospital buildings in Shatin with the original contract sum of approximately HK\$12.3 million and less than 5% of works related to system formwork; (ii) a private residential building project in Mongkok with the original contract sum of approximately HK\$55.8 million and approximately 64.3% of works related to system formwork; and (iii) a private residential building project in Sai Ying Pun with the original contract sum of approximately HK\$8.8 million

BUSINESS

and approximately 60.9% of works related to system formwork. For further information of our completed and on-going projects, please refer to the paragraph headed “Our projects” in this section.

During the Track Record Period, most of our customers are main contractors in Hong Kong while we acted as their formwork works subcontractor. The number of customers with revenue contribution to us was nine, 10, 12 and 13 for FY2017, FY2018, FY2019 and FY2020, respectively. Meanwhile, our largest customer accounted for approximately 30.5%, 35.7%, 40.2% and 41.2% of our total revenue and our five largest customers in aggregate accounted for approximately 97.6%, 92.1%, 98.9% and 93.8% of our total revenue, respectively. For details, please refer to the paragraph headed “Our customers” in this section.

We secure all of our projects through invitation for tendering. For FY2017, FY2018, FY2019 and FY2020, our tender success rate was approximately 16.9%, 13.4%, 12.1% and 13.9%, respectively. For details, please refer to the paragraph headed “Operation flow – 4. Award of contract” in this section.

Our Group has developed a broad network of suppliers that predominantly provide (i) construction materials, such as timber, plywood, metalware and aluminium formwork; (ii) subcontracting services; (iii) metal scaffold equipment rental; and (iv) transportation services, to support our operations. For FY2017, FY2018, FY2019 and FY2020, our largest supplier accounted for 24.7%, 31.8%, 29.6% and 39.1% of our cost of purchases, respectively, and our five largest suppliers accounted for 61.6%, 76.3%, 72.2% and 78.7% of our cost of purchases, respectively. For further information in relation to our suppliers, please refer to the paragraph headed “Our suppliers” in this section.

COMPETITIVE STRENGTHS

We are the subcontractor of established and reputable contractors in Hong Kong

We provide formwork works services as a subcontractor to the main contractors of construction projects in both public sector and private sector with an operating history of over 20 years. Comparing to our other competitors in the industry, we have a more deep-rooted presence in the formwork works industry in Hong Kong. We have gained comprehensive experience from various formwork works in different types of civil engineering projects, including some of the Ten Major Infrastructural Projects, and building construction projects, such as the construction of residential buildings, commercial buildings and institutional buildings. As such, our established presence in the formwork works industry in Hong Kong may give us an advantage for maintaining existing customers and securing new business opportunities and our Directors believe that our ongoing reputation within the industry is crucial to our day-to-day business operations and future business development.

We have proven our ability to capitalise on our continuous efforts in our long operating history to become one of the major contractors in the formwork works industry in Hong Kong. According to the Ipsos Report, the formwork works industry is highly fragmented and, as of

BUSINESS

September 2020, there were 864 contractors on the list of registered contractors under “Concreting Formworks” category of the Construction Industry Council. Our Group’s revenue recognised in FY2020 accounted for approximately 7.6% of the total industry revenue of approximately HK\$5,706.6 million in the calendar year of 2019, and places our Group among the major subcontractors of the formwork works industry in Hong Kong. We believe that we are of a well-developed scale and have the ability to continue to compete for, and further enhance, our position in the Hong Kong formwork works industry.

During the Track Record Period, we had completed 40 formwork works projects with an aggregate original contract sum of approximately HK\$1,688.0 million. Our Directors believe that our successful completion of these projects will continue to enhance our reputation in the industry and will give us a competitive edge in securing new projects. Our ability to satisfy our customers’ requirements in a feasible manner gives us a competitive edge in attracting more business opportunities in the future. For further details of our formwork works projects, please refer to the paragraph headed “Our projects” in this section.

We have strong relationships with our customers and suppliers who have been and will continue to be our customers and suppliers throughout many projects

Our Group has over 20 years of experience in the construction industry in Hong Kong, and we have provided formwork works services since our inception. Throughout the years, our Directors believe that we have developed our reputation and presence as a reliable formwork works service provider and has developed a broad network of suppliers, supporting our ability to deliver to our customers’ needs.

We have a strong customer portfolio, of which our major customers during the Track Record Period comprised large and reputable contractors in Hong Kong with a long history in the local construction industry. According to the Ipsos Report, main contractors tend to select their subcontractors based on reputation, proven quality of work, timely delivery and maintenance of good customer relationships. Our business relationships with some of our five largest customers during the Track Record Period spanned over five years. Our Directors are of the view that our relationships with the five largest customers during the Track Record Period have provided more business opportunities to our Group, and may increase our chances of (i) being invited to tender for formwork works projects; and (ii) being awarded of the contracts. Our Directors also believe that our industry experience and business reputation have reinforced our Group’s relationship with some of our major customers as one of the preferred subcontractors to their projects. Our Directors believe that the satisfactory completion of our works has enabled us to maintain an ongoing business relationship with these customers.

Furthermore, we place considerable emphasis to maintain quality control and safety standard as they can directly affect our reputation, service quality and profitability. They are also among our customers’ key assessment criteria in selecting formwork supplier. Our Directors are of the view that our emphasis in quality has equipped us with the capability of attracting new customers and new opportunities. For FY2017, FY2018, FY2019 and FY2020, our revenue was generated from nine, 10, 12 and 13 customers, respectively, with a growth trend of our

customer diversity. Our Directors believe that our effective quality management, occupational health and safety management as well as good compliance track record would enable us to have a good publicity and reduce our exposure to potential claims and improve our overall product quality and profitability.

On the other hand, we maintain an approved list of suppliers. Our Directors believe that our stable relationships with our suppliers may facilitate (i) the delivery of materials and/or services to our Group; (ii) the bargaining position for purchase of materials or availability of services with relatively stable price and terms; and (iii) the availability of supplies throughout the entire project period. Our relationships with some of our five largest suppliers during the Track Record Period spanned over 10 years.

We have an experienced and professional management team

Our executive Directors have extensive experience and/or technical knowledge in the construction industry in Hong Kong and our senior management possesses expertise and relevant professional qualifications on project management, contract management, finance operation and administration work, which together is crucial for us to ensure effective and efficient completion of projects undertaken by us. Please refer to the section headed “Directors and senior management” of this prospectus for the biographical details of our Directors and senior management.

In light of the experience and technical knowledge of our executive Directors and our senior management, our Directors believe that we are able to remain competitive and well-positioned in competing for and securing contracts in the future. Our Directors are confident that our Group will remain competitive and reputable in the industry owing to the in-depth industry knowledge of our senior management.

We have a large pool of operational staff to carry out our formwork works services

In addition to the experience and technical knowledge of our project management team, the execution of our works is also reliant on the large pool of manpower required for formwork works. Construction industry is a labour-intensive industry. Our Group strategically maintains a sufficient number of direct labour to provide services. Given the acute shortage of skilled labour faced by the construction industry in Hong Kong, having a pool of direct labour can reduce reliance on the subcontracting arrangement and thus enhances the reliability of cost budgeting on human resource and ensures the quality of works by providing on-going trainings to their own staff. Therefore, possessing a pool of direct labour is one of the competitive edges of our Group.

As at the Latest Practicable Date, our Group directly employed over 500 site workers who are deployed to various projects to carry out formwork works services. As our Group predominantly provided traditional formwork to our customers by using timber and plywood during the Track Record Period, our site workers are mainly carpenter formwork workers. Our Directors consider that our maintenance of a pool of site workers under our direct employment has allowed us to maintain certainty in terms of the quality of our formwork works and

enhanced the reusability of construction materials through the application of our guidelines and policies and under the close supervision of our project management team.

Since most of our site workers are employed directly by our Group, we are able to manage our costs and control the quality of our work effectively as we would monitor closely to ensure compliance with our internal controls as well as to meet the project schedule by allocating manpower in a feasible manner. Further, we maintain and will continue to refine our internal quality control systems and checks that are applicable throughout our projects to employees and subcontractors alike to eliminate chances for faults in our work and to ensure consistency in the quality of works delivered.

We possess our own metal scaffold equipment and related parts to minimise the reliance on equipment suppliers

As part of their monitoring of our works, our management has identified areas that may present risks such as the potential for shortages in availability for necessary supplies such as metal scaffold equipment and related parts for forming the falsework systems. We have therefore developed and maintained a stable inventory of metal scaffold equipment and related parts to minimise our reliance on suppliers and to minimise our susceptibility to price fluctuations.

According to the Ipsos Report, falsework system is essential in supporting the weight of horizontal formwork system until the concrete gains sufficient strength and becomes self-supporting. During the Track Record Period, we possessed metal scaffold equipment that was used to form falsework system and applied towards our construction works. As at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, we had metal scaffold equipment and related parts with the carrying amount of approximately HK\$8.0 million, HK\$14.3 million, HK\$9.8 million and HK\$5.2 million, respectively. The possession of metal scaffold equipment and related parts to support our formwork works services has allowed our Group to reduce our reliance on third-party metal scaffold equipment rental suppliers and to shield our Group from shortage of supply and fluctuating expenses.

Our Directors believe that the continuous development and application of our systems and controls will aid our Group in continuing to deliver formwork works in a proper manner and to an acceptable quality standard while keeping costs under control.

BUSINESS STRATEGIES**Further strengthening our market position, increasing our market share and capturing the growth in the formwork works industry**

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the formwork works industry. We intend to achieve our business objective by (i) further enhancing our financial position for the purpose of securing additional and large-scale formwork works projects and expanding our capability to offer system formwork works services; (ii) increasing our stock of metal scaffold equipment; and (iii) further strengthening our manpower to cope with our business development.

According to the Ipsos Report, the gross output value of the formwork works industry in Hong Kong has experienced steady growth from approximately HK\$3,381.8 million in 2013 to approximately HK\$5,706.6 million in 2019, representing a CAGR of approximately 9.1%. It is estimated that the gross output value of formwork works industry will remain stable from approximately HK\$5,711.7 million in 2020 to approximately HK\$5,968.7 million in 2023, representing a CAGR of approximately 1.5%. In the forecast period, growth of the gross output value is expected to decelerate as most of the Ten Major Infrastructure Projects will have been completed and the impact of outbreak of COVID-19 is expected to slow down the growth rate of the market.

However, the positive expectation is largely attributed to the growth of the building construction industry in Hong Kong. The construction industry has been supported by an active economy in Hong Kong over the past few decades. A great number of buildings or infrastructure projects are being constructed every year due to the Government's initiative to increase the supply of residential buildings and commercial buildings as well as infrastructures. According to the 2019–20 budget, the Government has established a total housing supply target of 100,400 public housing units for the five-year period from 2019 to 2024. Additionally, the Government also strived to increase the land available for residential and commercial uses. On commercial land availability, according to the Chief Executive's 2018 Policy Address, a number of commercial sites including those located at the Kai Tak Development Area, above the terminus of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, at the New Central Harbourfront, Caroline Hill Road, Queensway Plaza and Sai Yee Street, will be put up for land sale from 2018 onwards. These sites will provide a total of around 1.1 million sq.m. of floor area. Moreover, according to the 2018 Long Term Housing Strategy Annual Progress Report by Transport and Housing Bureau, the latest public housing supply target will be 220,000 private rental housing units and 95,000 subsidised sales flats units for the ten-year period from 2019 to 2029.

In terms of our backlog value during the Track Record Period, the outstanding contract value as at 31 March 2017 was relatively higher than those as at the end of other periods because there was a supplementary agreement signed with Customer D in early 2017 for Project TMB-21 with an additional contract value of approximately HK\$70.0 million granted to us, which resulted in the increase in the outstanding contract value as at 31 March 2017. Although

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we experienced a decrease in the outstanding contract value of backlog from approximately HK\$572.5 million as at 31 March 2017 to approximately HK\$378.4 million as at 31 March 2020, our Directors believe that our expansion plan is supported by sufficient market demand by taking into account that (i) the aggregate original contract sum of newly awarded projects secured during FY2020 was approximately HK\$528.0 million, which was higher than those with aggregate original contract sum of approximately HK\$451.7 million, HK\$304.0 million and HK\$301.1 million projects secured in FY2017, FY2018 and FY2019, respectively; (ii) there were nine projects, with an aggregate original contract sum of approximately HK\$526.3 million, awarded to us after the Track Record Period and up to the Latest Practicable Date; (iii) as at the Latest Practicable Date, we had 100 tenders with an aggregate estimated contract sum of approximately HK\$5,434.8 million which were undergoing tendering process and still pending results (excluding four repeated tenders with the estimated contract sum of approximately HK\$353.3 million, HK\$108.3 million, HK\$68.5 million and HK\$2.1 million, respectively, submitted for the same projects but different potential customers); (iv) we have relatively higher chances to be awarded three tenders (with estimated aggregate contract sum of approximately HK\$410.0 million, including two tenders involving traditional formwork with the aggregate estimated contract sum of approximately HK\$288.2 million and one tender involving traditional and system formworks with an estimated contract sum of approximately HK\$121.8 million) as these tenders are at advanced stage of tendering process or the Group has already secured another project with the same main contractor for another part of the same construction site, whereas subsequent to the Track Record Period, we have successfully secured another project which we previously considered to have a relatively higher chance to be awarded tender; and (v) for FY2017, FY2018, FY2019 and FY2020, our revenue was generated from nine, 10, 12 and 13 customers, respectively, with a growth trend of our customer diversity.

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Set out below is the brief information of our tenders with relatively higher chances to be awarded.

Tender	Particulars of the potential projects	Public/ private sector	Submission date of tender	Expected project commencement date	Estimated contract sum <i>HK\$'000</i>	Estimated upfront cost/ estimated cost for acquiring aluminium formwork <i>(Note 1)</i>
						<i>HK\$'000</i>
T1386	Civil engineering project on Lantau Island involving traditional formwork	Public	December 2018	Q4 2020	180,801	12,247
T1783	Building construction project in Tsuen Wan involving traditional formwork	Private	May 2020	Q4 2020	107,383	11,532
T1615	Building construction project in Cheung Sha Wan involving tradition and system formworks <i>(Note 2)</i>	Private	October 2019	Q2 2021	121,825	17,067
					<u>410,009</u>	<u>40,846</u>

Notes:

- The upfront cost is estimated with reference to (i) the expected project duration and contract value; (ii) the upfront cost ranged from approximately 5% to 30% according to the Ipsos Report; and (iii) the amount of our historical upfront cost of projects with similar size. The estimated cost for acquiring aluminium formwork was computed based on the estimated sq.m. of aluminium to be adopted in the project and the quotations obtained from aluminium formwork suppliers.
- In view of our success in securing Project TMB-102 for traditional formwork works which is in the same construction site with the same main contractor of the potential project, our Directors believe that the main contractor will probably engage us to perform the remaining part involving traditional and system formworks for the potential project.

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The estimated aggregate contract sum of these relatively high chances to be awarded tenders is approximately HK\$410.0 million. For further details of the above tenders, please refer to the paragraphs below.

According to the Ipsos Report, the gross output value of the formwork works industry in Hong Kong is expected to remain stable which will increase from approximately HK\$5,711.7 million in 2020 to approximately HK\$5,968.7 million in 2023, at a CAGR of approximately 1.5%, after the completion of most of the Ten Major Infrastructure Projects and the impact of outbreak of COVID-19. In addition, number of large scale infrastructure and public construction projects are under its tender selection process, for example, the construction works on the new Airport Third Runway Extension Project, the superstructure of the New Air Traffic Control and the construction of Water Supplies Department headquarters and Correctional Services Department headquarters building in Chai Wan. Also, a certain number of public projects are forecasted to open tender in 2020, for example, the redevelopment of Kowloon Tsai Swimming Pool Complex, the construction of Chinese Medicine Hospital in Tseung Kwan O and the construction of district library and residential care home for the elderly in the Joint User Complex in Lei King Road. These projects indicate a strong need for building construction works and formwork works over the forecast period. Our Directors consider that if we are not able to maintain a sufficient working capital for undertaking such large-scale civil engineering projects, our tender quotation to customers will be less competitive and reduce our business opportunities in the future.

Our Directors consider that there are considerable amount of backlog and sufficient market demand for our business expansion and are confident that we can achieve business growth if we are to continue to increase our available resources. Having considered the abovementioned market opportunities and the limitation of our current capital resources, our Directors are of the view that in order to undertake additional and large-scale formwork works projects and to capture business opportunities, we shall continue to expand our operation scale, acquire our construction equipment, increase our available working capital and human resources and enhance our competitiveness in the formwork works industry, by adopting the following implementation plan:

- (i) ***Further enhancing our financial position for the purpose of securing additional and large-scale formwork works projects and expanding our capability to offer system formwork works services***

We plan to strengthen our position in the formwork works industry, sustain our business growth and create long-term shareholders' value by continuously seeking business opportunities for additional and larger-scale formwork works projects in Hong Kong and expanding our capability to offer system formwork works services:

- (a) *Securing additional and large-scale formwork works projects*

Our Group's capacity to take up new and sizeable projects is largely limited by our capital resources to fund the upfront cost and expenses, such as cost of site

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workers, construction materials, subcontracting charges and other site upfront costs. Our Directors are of the view that based on our current available financial resources and capacity, it is not viable for our Group to undertake additional and larger-scale formwork works projects in addition to our current commitments.

Having considered that (i) based on our previous experience in carrying out formwork works projects and the market norm, we are required to pay in advance or reserve a sum amounting to approximately 5% to 30% of the total contract sum to satisfy the upfront cost and working capital requirements; (ii) in general, we can only obtain the first payment from our customers in around the third or fourth month since the commencement of a project and have to maintain a certain amount of funds until our works were certified and paid by our customers; (iii) unlike other market players mainly engaging subcontractors to conduct site works, we have a large pool of direct labour to carry out formwork works and we are therefore required to maintain a substantial capital resource to sustain the payments to our staff monthly instead of having a credit period granted by the subcontractors; and (iv) we will be exposed to greater potential of liquidity risks by undertaking larger-scale projects, we may only respond to the tender invitations with profitability but less competitiveness or limited project scale. The decision of responding to tender invitations was made by our Directors after evaluating the scope of services of the proposed tender or works by taking into account the pricing and the work schedule. If our Directors concluded that we would not have sufficient funds and/or manpower above our readily committed funds and manpower to complete the project in a proper manner and to a quality standard acceptable to our Group, we may decline such business opportunities.

For FY2017, FY2018, FY2019 and FY2020, our trade receivables turnover days (including contract assets) were approximately 74.6 days, 87.0 days, 89.2 days and 173.1 days, respectively, while our trade payables turnover days were approximately 6.0 days, 5.8 days, 5.4 days and 41.6 days, respectively. In addition, for the first payments to be received from our customers, our trade receivables would only be recognised once our customers certified our payment applications, which was normally two to three months after the commencement of our on-site works. The actual time gap between our payments to suppliers and direct labour and the receipts of payments from customers in the beginning of a project would be longer than the difference between our trade receivables turnover days and trade payables turnover days. Although we had not experienced any material liquidity problem in settling our payables in the normal course of business when they fall due during the Track Record Period, we may expose ourselves to liquidity risks when we expand our business by undertaking large-scale projects without additional funding support.

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Subsequent to the Track Record Period, we have identified a number of projects with estimated contract sum of significant value to have a relatively higher chance to be awarded tender. Among those, up to the Latest Practicable Date, we have further secured the following project which involves traditional formwork:

Project code	Particulars of the secured project	Public/private sector	Expected project commencement date	Original contract sum <i>HK\$'000</i>	Estimated upfront cost as a percentage of estimated contract sum <i>(Note)</i> <i>HK\$'000</i>
TMB-107	Civil engineering project on Lantau Island involving traditional formwork	Public	March 2021	166,251	19,898

Note: The upfront cost is estimated with reference to (i) the expected project duration and contract value; (ii) the upfront cost ranged from approximately 5% to 30% according to the Ipsos Report; and (iii) the amount of our historical upfront cost of projects with similar size.

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We have submitted the following tenders which were still pending results and our Directors consider that we have relatively higher chances to be awarded:

Tender	Particulars of the potential projects	Public/private sector	Submission date of tender	Expected project commencement date	Status of our Group's engagement	Contract awarded to main contractor as at the Latest Practicable Date	Estimated contract sum <i>HK\$'000</i>	Estimated upfront cost <i>HK\$'000</i>	Estimated upfront cost as a percentage of estimated contract sum ^(Note 1) %
T1386	Civil engineering project on Lantau Island involving traditional formwork	Public	December 2018	Q4 2020	Pending <i>(Note 2)</i>	Yes	180,801	12,247	6.8
T1783	Building construction project in Tsuen Wan involving traditional formwork	Private	May 2020	Q4 2020	Pending <i>(Note 3)</i>	No	107,383	11,532	10.7
							<u>288,184</u>	<u>23,779</u>	

Notes:

- The upfront cost is estimated with reference to (i) the expected project duration and contract value; (ii) the upfront cost ranged from approximately 5% to 30% according to the Ipsos Report; and (iii) the amount of our historical upfront cost of projects with similar size.
- The potential customer is confirmed to be the main contractor of the project and our Group has been invited to attend the technical meeting to discuss on the execution details of the project. Our Directors believe that we have a high likelihood of winning the tender because attending technical meeting is an advanced stage before awarding a contract.
- Based on the communication between our Directors and the potential customer, the project has not yet been awarded to the potential customer as the main contractor but our Group has gone through several rounds of negotiation on scope of work, price with the potential customer in relation to tender submission.

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Furthermore, our Directors believe that we have the capability and expertise to undertake larger-scale projects with contract sums exceeding HK\$300 million in the future by having considered the fact that (i) we have prior experience in handling projects with contract sums exceeding HK\$100 million during the Track Record Period; (ii) the skillset and services required of larger-scale projects are similar to those required for the projects undertaken by our Group during the Track Record Period and the difference is mainly in the scale of a project and liquidity requirement; (iii) our Group has a good experience in project management for different kinds of formwork works projects including both building construction projects and civil engineering projects; and (iv) in 2019, we have been invited to tender for five projects with the estimated contract value exceeding HK\$300 million each. However, based on the manpower and financial resources currently available to our Group, the undertaking of a substantial number of additional and larger-scale projects by our Group is infeasible. Thus, our Directors are of the view that strengthening our financial position and manpower resources are necessary for our future development.

In view of our proven track record in the formwork works industry, we have been invited by our customers for tendering some large-scale projects. As at the Latest Practicable Date, we have submitted the following tenders with an estimated contract sum exceeding HK\$300 million each and still pending results:

Tender	Particulars of the potential projects	Public/ private sector	Submission date of tender	Expected project commencement date	Estimated contract sum <i>HK\$'000</i>
T1461	Building construction project in Macau involving traditional formwork	Private	March 2019	Q4 2020	744,580
T1673/ T1675	Civil engineering project on Lantau Island involving tradition formwork <i>(Note)</i>	Public	December 2019	Q4 2020	353,305
					<hr/> <u>1,097,885</u>

Note: the tender was submitted for the same project but different potential customers.

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As at the Latest Practicable Date, we have submitted 100 tenders with an aggregate estimated contract sum of approximately HK\$5,434.8 million which were undergoing tendering process and still pending results (excluding four repeated tenders with the estimated contract sum of approximately HK\$353.3 million, HK\$108.3 million, HK\$68.5 million and HK\$2.1 million, respectively, submitted for the same projects but different potential customers).

(b) Expanding our capability to offer system formwork works services

According to the 2019–20 budget, the Government has established a total housing supply target of 100,400 public housing units for the five-year period from 2019 to 2024 in order to meet the growing demand for public housing. The future development of the building construction works industry is expected to be continuously driven by the increasing supply of public housing units. In response to the growing demand for housing and to meet the established target by Long Term Housing Strategy, the Government has also been supporting the supply of private housing by increasing land sales. As a result, the total number of newly-completed private residential housing in Hong Kong increased from 8,254 units in 2013 to 13,643 units in 2019, representing a CAGR of approximately 8.7%. According to the Land Sale Program from April 2018 to March 2019, it is estimated that private housing land supply in the 2019-20 financial year is capable of providing approximately 15,540 units, which will exceed the annual target for the third consecutive year. The Government's supportive policy, therefore, is expected to encourage property developers to produce more private housing units in the near future, thereby driving the construction industry in Hong Kong. The system formwork is suitable for mass housing and high rise buildings and allows the contractors to maintain a stable quality control, particularly when a large size project is involved. The system formwork is therefore able to work out a method where the speed and quality of construction are controlled automatically with a systematic approach. According to the Ipsos Report, due to the low flexibility on change of design of the system formwork, it is more suitable to apply to the buildings which are built up with repeated layouts. As the residential buildings are generally formed with the repeated structure under standard design, our Directors are of the view that the future building construction projects in both private sector and public sector will increasingly adopt the system formwork in order to meet the housing supply target. As at the Latest Practicable Date, we had nine tenders with the aggregate estimated contract sum of approximately HK\$560.6 million for residential projects, which involve the application of system formwork, and the result of tenders were pending (excluding one repeated tender with the estimated contract sum of approximately HK\$108.3 million submitted for the same project but different potential customers).

During the Track Record Period, we primarily provided traditional formwork engaging the use of timber and plywood. For part of the formwork works in our three projects during the Track Record Period, our Group has applied system formwork by using aluminium formwork. Our Directors believe that the application of system

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formwork in such projects could facilitate our study of tendering projects involving system formwork in the future. Our Directors believe that formwork works subcontractors who are able to perform both traditional and system formworks can cater for more construction projects and in turn increase business opportunities to generate revenue. Therefore, our Group plans to secure more projects which involve the adoption of system formwork in the future.

Traditional formwork can be adopted to different and complicated shapes easily and only requires for a relative low purchase cost for acquiring timber and plywood. However, in comparing the materials commonly applied in formwork works services, system formwork using aluminium presents several advantages above traditional formwork which applies timber and plywood owing to their reusable nature, strength and better concrete finish, making the formation of formwork easier and safer for the site workers. According to the Ipsos Report, the unit cost for aluminium formwork is generally higher than that of timber and plywood, but can be reused by over 20 times in a construction project that is much more than the timber and plywood of no more than 10 times. Further, system formwork requires less skilled labour force for erecting and striking formwork. Based on the data from the Census and Statistics Department, in March 2020, the average daily wage of a system formwork worker was approximately HK\$1,665, while the average daily wage of a traditional formwork worker was approximately HK\$1,923.

Our Directors believe that in order to achieve sustainable growth and to remain ahead of the trends in the formwork works industry, we will be required to put in greater efforts in securing more projects that engage the use of system formwork, so that we can accumulate more experience and skills in this respect. To secure these projects, we intend to proactively maintain our relationships with the major contractors in Hong Kong by submitting more tenders involving system formwork. Unlike timber and plywood, the aluminium formwork used in system formwork will be produced in a designed shape. We are required to make a substantial payment to the suppliers when we place order. In general, such order will be placed after the completion of basement level works and before the execution of the system formwork works, i.e. in around the fourth or fifth month since the commencement of a project. As the cost of acquiring aluminium formwork for system formwork is generally higher than that of timber and plywood for traditional formwork, more financial resources will be required on top of the upfront costs in order to undertake more projects which require for adopting system formwork. Therefore, we may experience a cash outflow in the first half year of the project with the adoption of system formwork. During the Track Record Period, we have secured three contracts, which involve the engagement

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of system formwork, with an aggregate original contract sum of approximately HK\$76.9 million. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have further secured the following projects which involves system formwork:

Project code	Particulars of the secured project	Public/private sector	Expected project commencement date	Original contract sum <i>HK\$'000</i>	Estimated cost for acquiring aluminium formwork ^(Note) <i>HK\$'000</i>
TMB-101	Building construction project in Yau Tong involving traditional and system formworks	Private	July 2020	72,062	9,640
TMB-104	Building construction project in Hung Hom involving traditional and system formworks	Public	August 2020	25,500	2,400
				97,562	12,040
				97,562	12,040

Note: The estimated cost for acquiring aluminium formwork was computed based on the estimated sq.m. of aluminium to be adopted in the project and the quotations obtained from aluminium formwork suppliers.

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As at the Latest Practicable Date, we have also submitted nine tenders, which involve system formwork and were still pending results, with the aggregate estimated contract value of approximately HK\$560.6 million (excluding one repeated tender with the estimated contract sum of approximately HK\$108.3 million submitted for the same project but different potential customers). Among these nine tenders, our Directors consider that we have a relatively higher chance to secure the following tender:

Tender	Particulars of the potential project	Public/ private sector	Submission date of tender	Expected project commencement date	Estimated	Estimated cost
					contract sum	for acquiring aluminium formwork ^(Note 1)
					<i>HK\$'000</i>	<i>HK\$'000</i>
T1615	Building construction project in Cheung Sha Wan involving tradition and system formworks ^(Note 2)	Private	October 2019	Q2 2021	121,825	17,067

Notes:

1. The estimated cost for acquiring aluminium formwork was computed based on the estimated sq.m. of aluminium to be adopted in the project and the quotations obtained from aluminium formwork suppliers.
2. In view of our success in securing Project TMB-102 for traditional formwork works which is in the same construction site with the same main contractor of the potential project, our Directors believe that the main contractor will probably engage us to perform the remaining part involving traditional and system formworks for the potential project.

Having considered that (i) we have secured nine project(s), with the aggregate original contract sum of approximately HK\$526.3 million, which were awarded to us during the period between 1 April 2020 and the Latest Practicable Date; (ii) in 2019, we have been invited to submit tenders for five potential projects with the estimated contract sum exceeding HK\$300 million each; (iii) we have a relatively higher chances to be awarded the aforementioned three tenders (with estimated aggregate contract sum of approximately HK\$410.0 million including two tenders involving traditional formwork with the estimated aggregate contract sum of approximately HK\$288.2 million and one tender involving traditional and system formworks with an estimated contract sum of approximately HK\$121.8 million); (iv) as at the Latest Practicable Date, we have submitted 100 tenders with an aggregate estimated contract sum of approximately HK\$5,434.8 million which were undergoing tendering process and still pending result (excluding four repeated tenders with the estimated contract sum of approximately HK\$353.3 million, HK\$108.3 million, HK\$68.5 million and HK\$2.1 million, respectively, submitted for the same projects but different potential customers); (v) we have been evaluating tender opportunities for large-scale projects and considered the financial requirement to maintain sufficient bank balance; (vi) the

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future cash inflow generated from our existing projects and our available financial resources; and (vii) system formwork can bring us with the opportunities for more construction projects by satisfying our customers' potential needs for a comprehensive formwork works services, our Directors are of the view that we have to enhance our available financial resources and strengthen our liquidity position in order to satisfy the requirement of upfront costs and working capital requirements in order to increase our competitiveness and capability for securing and undertaking additional and large-scale projects and to expand our capability to offer system formwork works services.

Also, we have recorded the outstanding contract value of approximately HK\$726.0 million as at the Latest Practicable Date. In view of our business strategies to strengthen our market positions, our Directors consider that (i) our financial resources can only support our existing operation; and (ii) our operating cashflow cannot satisfy our needs for fully capturing the additional projects, and it limits our ability to tender large-scale projects; (iii) our future plan is to secure large-scale projects which require larger up-front costs and we are lack of financial resources; and (iv) the system formwork requires a greater initial cost for acquiring aluminium formwork than timber and plywood. Therefore, our Directors believe that we have the needs to raise funds for our future projects. Based on the above illustration, our Directors estimated that approximately HK\$72.8 million will be required to finance the upfront cost of Project TMB-107 and our tendered projects with high chances to secure (namely Tender T1386 and Tender T1783), which involve traditional formwork and expand our capability to offer system formwork works services to Project TMB-101, Project TMB-104 and Tender T1615, a tendered project with high chance to secure. Having considered our available resources and bank facility, we plan to use approximately HK\$59.6 million of the net proceeds for satisfying the aforesaid financial requirement for our expansion. In the event that we could not secure the tendered projects listed above, we will apply the net proceeds to finance the upfront costs of the other new projects awarded to us.

(ii) Increasing our stock of metal scaffold equipment and related parts

According to the Ipsos Report, falsework system is essential in supporting the weight of horizontal formwork until the concrete gains sufficient strength and becomes self-supporting. During the Track Record Period, we possessed metal scaffold equipment and related parts that were applied towards our construction works. The possession of metal scaffold equipment and related parts to support our formwork works services has allowed our Group to reduce our reliance on third-party metal scaffold equipment rental suppliers and to shield our Group from shortage of supply and fluctuating expenses. The continued development of our metal scaffold equipment and related parts will further strengthen our competitiveness in the tendering process as the use of our own metal scaffold equipment and related parts allows us to enhance the profitability of our projects and/or to quote more competitive than our competitors.

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Therefore, in line with our past strategy, in order to cope with our future expansion and business development by undertaking additional, especially sizeable projects simultaneously, we intend to use approximately HK\$21.2 million of the net proceeds for the acquisition of additional metal scaffold equipment and related parts. For FY2017, FY2018, FY2019 and FY2020, we incurred expenses for rental of metal scaffold equipment and related parts of approximately HK\$8.5 million, HK\$7.7 million, HK\$5.7 million and HK\$5.2 million, respectively, while we invested approximately HK\$4.7 million, HK\$10.1 million, HK\$1.2 million and nil in acquiring metal scaffold equipment and related parts for the corresponding periods, respectively. As at 31 March 2020, we had metal scaffold equipment and related parts with the carrying amount of approximately HK\$5.2 million. Our Directors consider that such investment can reduce our reliance on the metal scaffold equipment rental suppliers and thus allow us to maintain our rental expenses with a decreasing trend during the Track Record Period. However, the utilisation rate of our metal scaffold equipment (excluding renting to independent third parties) had reached approximately 93.0%, 95.5%, 87.3% and 85.9% for FY2017, FY2018, FY2019 and FY2020, respectively.

Our Directors consider that although the completion of certain projects can free up the existing equipment, due to the fact that we have arranged sufficient amount of our own metal scaffold equipment to construction site or engaged external rental suppliers to supply the equipment for project execution in the project planning stage, the free-up equipment cannot be assigned to other on-going projects immediately and will become idle until our Group commences new site works. In order to avoid the mix-up of the equipment from suppliers and us, we will engage either our own equipment or external rental supplier's equipment in a single project.

In view that even we have invested approximately HK\$10.1 million to acquire metal scaffold equipment in FY2018, the utilisation rate stayed at a relatively high level during the Track Record Period. Based on our Directors' experiences and having considered the useful life of four years, as all of our metal scaffold equipment was acquired in FY2018 or before and is expected to be fully depreciated before the year ending 31 March 2022, our Group will require a significant capital to replace such metal scaffold equipment and related parts which we plan to use our internal resources to finance the replacement. Going forward, in light of the planned expansion of our scale of operation, our Directors expect that the needs for metal scaffold equipment and related parts will increase accordingly and it is necessary to acquire additional metal scaffold equipment and related parts to (i) minimise our exposure to rental price fluctuation which is subject to the availability of stock and number of on-going projects in the market at the material time; and (ii) maintain the profitability of our projects by using our own metal scaffold equipment and related parts. In assessing the option of acquiring or renting metal scaffold equipment and related

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parts, we have compared the total costs (i.e. depreciation and maintenance costs) and the total rental costs of different types of components for forming metal scaffold equipment over the estimated useful life of four years according to the accounting policies, as follows:

Component	Approximate annual expenses for renting the metal scaffold equipment and related parts from third parties ^(Note 1) HK\$'000	Approximate annual expenses following the acquisition ^(Note 2) HK\$'000	Approximate annual cost saving from the acquisition during the expected useful life ^(Note 3) HK\$'000
Frame and ledger	7,614	6,051	1,563
Base standard 360	810	159	651
U head jack	810	299	511
Based jack	810	277	533
Total	<u>10,044</u>	<u>6,786</u>	<u>3,258</u>

Notes:

1. The estimated annual rental costs were computed based on the recent quotation obtained from leasing company and the number of units we plan to acquire (which is estimated and taken into account, including but not limited to, the average units rented by us in the Track Record Period and number of on-going and potential projects).
2. The estimated annual expense comprised of (i) depreciation expenses of approximately HK\$6.6 million and (ii) maintenance costs of approximately HK\$209,000. The estimated acquisition costs were computed based on the recent quotation obtained from metal scaffold equipment seller and the number of units we plan to acquire. By applying the straight-line method over the expected useful life of four years, the annual depreciation expenses of the metal scaffold equipment that we plan to acquire would be approximately HK\$6.6 million. The estimated annual maintenance costs of approximately HK\$209,000 are computed by multiplying the average unit maintenance cost of the Track Record Period, which is calculated by dividing the maintenance costs for each of the financial years by the number of units of metal scaffolds held by our Group at each year end, by the number of units we plan to acquire.
3. Having considered that (i) we expect to allocate the additional metal scaffolds to the construction sites of our on-going and potential projects; and (ii) based on our Directors' best estimation, our warehouse and storage area located at Lot No. 1195 in D.D. 119 has enough space for storage of the additional metal scaffolds, no storage expense will be taken into account for the assessment of cost saving.

Due to the limited number of metal scaffold equipment rental suppliers in the formwork works industry, the rental price may fluctuate significantly subject to the availability of stock and number of on-going projects in the market at the material time. In order to reduce our reliance on such suppliers and exposure to fluctuating rental costs, our Group invested in our own metal scaffold equipment which would be stored in our warehouse and storage area located at Lot No. 1195 in D.D.119 and construction sites of respective on-going projects. During FY2019 and FY2020, we received rental income from

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lease of metal scaffold equipment and related parts, amounting to approximately HK\$1.0 million and HK\$0.2 million, respectively. In view of the completion of certain sizable projects resulting in the temporary idling of our metal scaffold equipment and related equipment, our Directors decided to rent our metal scaffold equipment and related equipment to an independent third party to recover our maintenance costs and rental costs of metal scaffold equipment that was still engaged in on-going projects. Our Directors consider that (i) the lease of metal scaffold equipment and related parts is not the principal business of our Group; and (ii) our Group will require an increased stock of metal scaffold equipment and related equipment to support our expansion plan while shielding our Group from unexpected or fluctuating rental costs.

Due to the relatively higher expenses for rental the metal scaffold equipment than acquisition of the same, our Directors consider that the gross profit margin of a project will be largely affected by the expenses of rental of metal scaffold equipment and related parts. Therefore, our Directors consider that rental of metal scaffold equipment and related parts are not in the best interest of our Group from the perspective of financial performance of our Group. Notwithstanding the maintenance of metal scaffold equipment and related parts, we continue to rely on rental of metal scaffold equipment and related parts, the availability and pricing for which is unpredictable. Our Directors consider that increasing of the stock of our metal scaffold equipment and related parts will enhance the efficiency and effectiveness in completing our projects in a proper manner, and will greatly reduce our reliance on rental of metal scaffold equipment and related parts.

(iii) Further strengthening our manpower to cope with our business development

Our Group has formed an experienced project management team for ensuring the projects to be done in a proper manner and to a quality standard acceptable to our customers and hence contributing to the stability of our Group among the formwork works industry. To maintain the quality of our work done, we are required to sustain a certain number of project management team members to oversee and supervise the works done by our site workers. As at the Latest Practicable Date, our project management team consisted of 15 members. On the basis that (i) based on the internal record of our Group, most of our project management team members had an increasing workload in terms of number of the projects and project scale under their care during the Track Record Period; and (ii) our project management team members were generally required to work on several projects simultaneously, if we were to undertake several sizeable projects at the same time only with our existing manpower, the work capacity of our project management team would be exhausted and accordingly they might not be able to properly supervise and manage the projects undertaken by us. During the Track Record Period, the number of projects contributed revenue to us increased from 20 in FY2017 to 37 in FY2020, while the staff number of our project management team decreased from 15 members as at 31 March 2017 to 13 members as at 31 March 2019 and 31 March 2020. Our Directors believe that the resignations of our project management team members were owing to the heavy workload experienced by the respective employees. Our Directors consider that we have to expand

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the size of project management team to satisfy the requirement of human resources for either large-scale projects or addition projects.

For sizeable projects, it is our general practice to form a project management team consisting a certain number of experienced personnel for monitoring and on-site supervision of project execution. Based on the information currently available to our Group, our Directors consider that it is necessary to expand our existing project management team to satisfy the execution and supervision for large-scale projects. In order to cope with the increasing demand of the formwork works market and to enable our Group to undertake the potential large-scale projects in addition to our present scale of operations in the future, expanding our existing project management team and recruiting relevant experienced personnel is essential. To enhance our use of system formwork in the potential projects in the future, we will also employ project managers to closely supervise the project execution in relation to system formwork.

In addition, to meet the safety requirements raised by customers and regulatory authorities, we have to increase the headcount of registered safety officer to ensure our employees and subcontractors to follow our safety management system and maintain a relatively low accident rate. To enhance our capability of preparation of project budget, our Group plans to recruit quantity surveyors to facilitate our cost control.

Due to the above reasons, we believe it is crucial to expand our human resources by recruiting more staff with different aspects of expertise, qualifications and experience in light of the anticipated growth in our business, increasing scale and number of the projects to be undertaken by us, in particular:

Position	Preferred experience and qualification	Number of staff to be recruited	Approximate monthly salary for each staff <i>HK\$</i>
Project manager (Traditional formwork)	– Minimum eight years' experience in formwork works project management	1	50,000
Project manager (System formwork)	– Minimum eight years' experience in formwork works project management	2	50,000
Site agent	– Minimum five years' experience in formwork works industry	3	45,000
Foreman	– Minimum three years' experience in formwork works industry	3	35,000

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Position	Preferred experience and qualification	Number of staff to be recruited	Approximate monthly salary for each staff HK\$
Safety officer	<ul style="list-style-type: none">– Minimum five years' experience in construction industry	2	40,000
Quantity surveyor	<ul style="list-style-type: none">– Registered as a registered safety officer– Minimum two years' experience in construction industry– Diploma in quantity surveying or appropriate academic background in related disciplines	2	25,000

During the Track Record Period, the number of projects contributing to our Group's revenue remained an uptrend from 20 for FY2017 to 37 for FY2020 while our management team personnel remained at 15 as at 31 March 2017, 31 March 2018 and the Latest Practicable Date. However, the number of management team personnel decreased to 13 as at 31 March 2019 and 31 March 2020 and our Directors believe that the resignations of our project management team members were attributable to the increased workload, exacerbated by the decrease in available personnel. Of the nine project management personnel (i.e. three project managers, three site agents and three foremen) to be added to our project management team, two will be added to the project management team to cope with the workload from on-going projects. Further, in order to further strengthen the capabilities of our Group in the provision of system formwork, we intend to hire two project managers with experience in the management of projects applying system formwork to ensure that we are able to deliver the relevant on-going and potential projects involving system formwork on competitive terms in terms of the costs and time required. Finally, a further five project management personnel will be engaged to facilitate our Group to take on a greater number of projects and projects of larger scales by having considered that our customers may probably require us to have at least one site agent/foreman to station at the construction site for sizable project in order to facilitate the daily management and supervision of the project. Our Directors are of the view that the abovementioned strengthening of our project management team is a crucial step towards facilitating our Group's expansion plans.

OUR FORMWORK WORKS SERVICES

We are an established formwork works subcontractor in Hong Kong with an operating history of over 20 years. We provide formwork works services to the main contractors who are typically construction companies operating in public and private sector construction works. Formwork is a temporary mould, which is used to support the poured concrete until it is able to maintain its shape. Before concrete is poured into the structure, reinforcement bars are often fixed inside the mould to give the mould sufficient strength to withstand the weight of the concrete. Depending on the type of reinforced concrete structure, the loads which the formwork

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will bear will be different. Under normal circumstances, when the concrete obtains the required strength after it is poured into the formwork, the formwork may then be removed. Our typical role in a construction project as a formwork works subcontractor is to construct the formwork and to remove it when the concrete structure is formed to maintain its shape.

For the construction of reinforced concrete slab or other overhead structures, falsework system is required to be erected to support the load of the formwork and reinforced concrete. Falsework system is a temporary structure which is essential in supporting the weight of horizontal formwork until the concrete gains sufficient strength and becomes self-supporting.

Traditional formwork, being the most common type of formwork system engaged by our Group during the Track Record Period, are typically comprised of several typical components, namely (i) a plywood facing panel, which is the sheet material directly in contact with the concrete to be poured and forms the surface into the preferred shape and finish; (ii) timber beams, which are usually fixed at even intervals to the facing panel to support the loading against the facing panel when concrete is poured and other live loads are applied; (iii) wailings, which are timber members spanning in wall formwork and connected to the timber beams, used to be clamped by tie bolts; (iv) tie bolts, which are inserted and tied through the two pieces of facing panel forming the mould of wall or column to overcome the fluid pressure when fresh concrete is poured in, the tie bolts are usually encased in a circular PVC tube for ease of removal after the concrete is casted; and (v) bracings, which help the formwork to resist wind loads and impacts.

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Set forth below is a sequence for the construction of a typical concrete structure based on traditional formwork:



Note: This step of the formwork sequence is executed by a party other than our Group.

The following diagrams illustrate the formwork works performed by our Group:



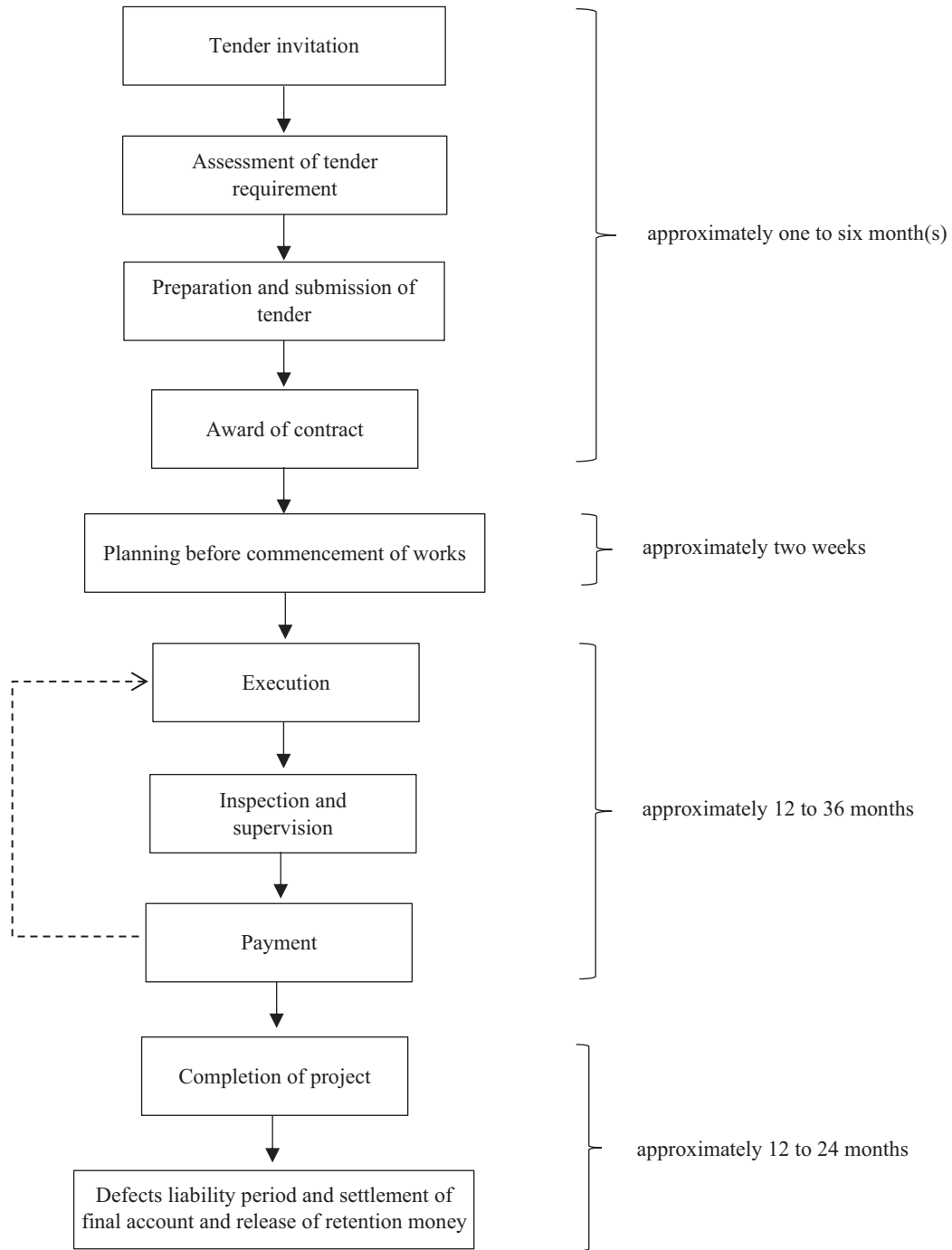
Timber and plywood are the most common materials applied in formwork works projects in Hong Kong, and are materials commonly adopted by the industry players. Compared to system formwork, traditional formwork is: (i) initially relatively cost-efficient in most common situations and has lower set up costs; (ii) relatively light in weight, facilitating its transportation, moving and removal by hand; and (iii) relatively easy to erect and construct into different shapes as timber panel can be cut quickly with hand-held tools.

Relative to traditional formwork, system formwork is often chosen as it (i) requires less skilled labour force for erecting and striking formwork; (ii) is able to be reused by over 20 times; and (iii) provides better-finishing to concrete. Furthermore, aluminium is much more environmentally friendly solutions.

The suitability of traditional formwork or system formwork for a particular project depends on the structures required of the formwork. Traditional formwork is generally regarded as being more suitable in projects where there are a wider variety of formwork structures as timber and plywood may be cut to shape as required. System formwork, however, is more suitable where the same structures are to be repeated as aluminium boards are delivered in set shapes suited for repeated applications in the same manner. During the Track Record Period, we primarily provided traditional formwork engaging the use of timber and plywood. For part of the formwork works in our three projects during the Track Record Period, our Group was engaged to apply system formwork by using aluminium which is more environmentally friendly materials for the repeated structure of the buildings.

OPERATION FLOW

The flow chart summarises the usual workflow of our typical project is set out below:



Details of key operational procedures as illustrated in the diagram above are set forth as the following:

1. Tender invitation

Our customers, being main contractors generally approach us by issuing tender invitations mainly by e-mail. Generally, tender invitations contain a brief description of the scope of the works, expected contract period and the closing time for submission of the tender.

2. Assessment of tender requirements

Our quantity surveyor would gather all relevant information for preliminary discussion with our Directors, including provided bills of quantity, other documents and construction drawings, work programme, contract requirements and specifications, site constraints and anticipated difficulties of the project. Our Directors will, based on all the available information and their experience, consider the feasibility of carrying out the project including with regard to factors including, but not limited to (i) the pricing; (ii) the proposed timing; (iii) our ability to carry out the works; (iv) the general atmosphere within the industry; (v) our relationship with the customers; and (vi) the terms and conditions applicable to our Group under a proposed contract.

3. Preparation and submission of tender

If we decide to pursue a potential project after our assessment, we will commence our work for the preparation of tender documents. The tender documents mainly include general specifications and bills of quantity. When deciding on the price, our Group will consider the requirements stipulated by our customers with reference to various factors such as (i) the estimated number and cost of workers required; (ii) cost of construction materials; (iii) the duration of the project; (iv) our working relationship with the customer in the past; (v) our capacity; and (vi) other specific requirements in the contract. Please refer to the paragraph headed “Sales and marketing – Pricing strategy” in this section for further details.

Our tendering team will then arrange to send out the tender submission documents upon obtaining approval from our Directors. Upon receipt of our tenders, our customers may further issue tender enquiries or conduct tender interviews with us in order to clarify the particulars of our submitted tender and to negotiate and finalise the terms of the contract.

4. Award of contract

If our tender bid is successful, our customers may confirm our engagement by way of issuing a letter of acceptance to us. Our customers may also inform us of such result by email. We may then enter into a formal engagement agreement with our customer.

For projects in which our customer is still in the process to be engaged as the main contractor, a legally binding pre-bid agreement, instead of a formal engagement, will be entered upon pending the acceptance of our customer as the main contractor for the project.

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The following table sets out the statistics of our tenders during the Track Record Period:

	FY2017	FY2018	FY2019	FY2020
Number of tenders submitted	65	67	94	165
Number of contracts awarded	11	9	11	16
Success rate <i>(Note)</i>	16.9%	13.4%	12.1%	13.9%

Note: Success rate for a financial year was calculated based on the number of successful tenders (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year. The calculation has excluded the tenders submitted but pending results as at the Latest Practicable Date. Out of the tenders submitted during the Track Record Period, three and 50 tenders submitted in FY2019 and FY2020, with the aggregate tender amount of approximately HK\$936.6 million and HK\$2,546.0 million, have not expired and were pending result as at the Latest Practicable Date.

Our tender success rate experienced a decrease from approximately 16.9% for FY2017 to approximately 12.1% for FY2019. Such decrease was mainly due to our tendering strategy for expanding our customer diversity to actively respond tender invitations to potential customers from 14 potential customers for FY2017 to 17 potential customers for FY2019. Also, we respond to a greater number of tender invitations with limited project scale, resulting that the number of tenders submitted increased from 65 tenders for FY2017 to 94 tenders for FY2019. Our Directors consider that the tenders to new potential customers resulted in a relatively lower success rate than our existing customers. In order to reduce our reliance on limited number of customers, we will continue to submit tenders to new potential customers in the future which may cause a relatively lower tender success rate. Accordingly, the number of our tenders submitted and our tender success rate may be fluctuated from year to year.

With respect to our Group's tendering strategy, we take into account the manageability and profitability of projects with reference to our resources and capacity. As such, in order to avoid exceeding our Group's capacity and having adverse impact to our performance resulting from excessive tendering, we may decline to respond to tender invitations. Having considered our tendering strategy and the number of contracts awarded during the Track Record Period and the number of projects in backlog as at 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and the Latest Practicable Date, our Directors consider that our overall tendering performance during the Track Record Period has been satisfactory.

5. Planning before commencement of works

Once our engagement is confirmed, we will form a project management team which comprises one project manager, and a number of site agents and foremen depending on the size and complexity of the project to perform project assessment, scope of work check and prepare project programme and specifications of the project. A meeting will be conducted among our project team members to discuss, among others, planning and arranging the required labour and equipment to be delivered to the construction site, selecting a particular construction method for each of the major construction activities and estimating the commencement date and work schedule of the project.

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Based on the project schedule and the available manpower, we may engage subcontractors to carry out part of the site works under close supervision and management by our project management team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specification and to check their progress against our proposed schedule. The works we subcontract to our subcontractors are generally labour intensive including works such as the erecting and striking of formwork structures.

Timber and plywood were the major construction materials purchased for our construction projects during the Track Record Period. Our project managers estimate the amount and timing required for these materials. For further details of engagement and procurement of subcontractors and suppliers, please refer to the paragraph headed “Our suppliers” in this section.

In order to avoid the mix-up of the metal scaffold equipment rented from suppliers and owned by us, we will engage either our own equipment or external rental supplier’s equipment in a single project by taking into account the project duration, stock of our available equipment, type of equipment required and price of supplying equipment.

6. Execution

In order to carry out formwork works in accordance with the proposed schedule, we are required to arrange labour and construction materials in accordance with the specifications of the contract and the master programme in order to complete our work within the deadline and to hand over to other parties. We will also ensure that the formwork has been erected in the intended position and structure.

Over the years, our Group has developed and refined a system to ensure the quality of our formwork works. Our system governs the process of formwork works from the initial stages of formwork design provided by our customers to the erection of formwork and quality assurance. Both our employees and subcontractors are required to follow our system to ensure that the quality of our works remain within our strict control. For details relating to the typical process of the formwork works quality control, please refer to the paragraph headed “Quality assurance” in this section.

Our project management team is usually required to attend the progress meeting to report on the progress of the project and to coordinate the forthcoming tasks with our customers. Our project management team will monitor the progress of their respective works against work schedules. As we mainly employ our site workers directly, it is easier for us to monitor the quality of our work done and manage our costs as well as to meet the project schedule by allocating manpower in a feasible manner.

Our project management team follows the acceptance standard for the formwork works provided by our customers throughout the whole construction progress until the works are to be inspected. Our executive Directors who regularly visit the construction sites would inspect the

formwork works with an aim to ensure that the formwork works are safe for site workers to work on and that the structure will be suitable to bear all the design loads.

As metal scaffold equipment are often in short supply within our industry, our senior management acted to develop our own stock of metal scaffold equipment in order to minimise our dependence on metal scaffold equipment rental suppliers and to minimise our exposure to fluctuating costs.

7. Inspection and supervision

Our project management team would carry out in-house quality inspection and supervision during project execution in accordance with our in-house quality management systems which are in conformity with the requirements of the ISO 9001 standards in order to ensure compliance with our customers' specifications and requirements. For further information regarding our quality management systems, please refer to the paragraph headed "Quality assurance" below in this section.

Our project management team is required to oversee the progress, monitor the costs incurred and controlling workmanship in order to ensure that both our customer's requirements can be met. Our quantity surveyors will assess quantity of completed works for facilitating our customers or their representatives to certify the actual work done under the contract. Our project management team will report the working progress to our executive Directors on a regular basis and decide on how to manage and/or improve the defects of formwork works during daily operation if any defects are found.

8. Payment

Based on the amount of work completed, we would generally submit to our customer an interim payment application in the end of each month detailing the amount and the value of our work done.

Upon receiving our payment application, our customer will examine our portion of work completed and would issue a payment certificate certifying the work progress after the examination. We usually grant our customers with a credit period within 35 days from the date of issuance of our payment applications and our customers settle our payment typically by cheque or bank transfer.

Our customers will usually withhold up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project. In general, the first half of the retention money will be released upon the completion of our project works and the remaining will be released after the completion of defects liability period within 12 to 24 months specified in the relevant contracts or within 12 months of the completion of our project works if no defects liability period was specified. Our customers would then make payment to us, net of retention money and other miscellaneous charges.

9. Completion of project

Formwork works comprise a portion of the overall construction works and our work is often completed well ahead of the general schedule for the overall project. When we have completed all of the construction works according to our customers' requirements, our project management team will conduct a final inspection on our completed works and hand over the projects with our customers. As a general practice, our customers do not issue certificates as confirmation of the completion of works, we rely on the final accounts issued to and paid by the main contractor to signify completion.

10. Defects liability period and settlement of final account

As the formwork works generally comprises a temporary structure and most of the formwork panels are required to be removed after the concrete has gained adequate strength to stand on its own, we are generally not required to support a defects liability period, but may provide such a period of approximately 12 to 24 months if so requested. Regardless of whether a defects liability period is provided, we remain liable for the remedial works if the concrete structure does not take the desired form due to the failure of the formwork works constructed by us. During the Track Record Period, no material compensation in relation to the quality of our works nor liquidated damages had been claimed.

After the completion of a project, our quantity surveyor will follow up with customers with regards to final work done quantity and variation order made and reach settlement on the final accounts. In general, the first half of the retention money will be released upon the completion of our works and the remaining will be released within 12 months after the completion of our works or the expiry of the defects liability period.

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OUR LICENCES AND PERMITS

During the Track Record Period, we acted as the subcontractor to our customers in all projects undertaken. Our Directors are of the view that our Group was not required in its capacity as a subcontractor to hold any registration as a contractor with relevant authorities during the Track Record Period. Our Group is registered as a registered subcontractor under the Registered Specialist Trade Contractors Scheme (previously known as Subcontractor Registration Scheme). The following table summarises the details of such registration held by our Group members as at the Latest Practicable Date:

Group company	Type of registration	Issuing authority	Date of issuance	Date of expiry
Temmex	Registered specialist trade contractors (Concreting formwork)	Construction Industry Council	28 September 2007	27 September 2022
Temmex Brothers	Registered specialist trade contractors (Concreting formwork)	Construction Industry Council	29 January 2010	28 January 2023

Our Directors confirm that our Group had obtained (and renewed, as the case may be) all necessary licences, permits, consents and approvals for our business operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date, such as registration under the Registered Specialist Trade Contractors Scheme (previously known as Subcontractor Registration Scheme), and that all such licences, permits, consents and approvals are valid as at the Latest Practicable Date. Under Registered Specialist Trade Contractors Scheme (previously known as Subcontractor Registration Scheme), the application of renewal should be submitted within three months before expiry of the current registration by providing information and supporting documents to show continued compliance with the entry requirements. Our Directors confirm that our Group had not experienced any material difficulties in obtaining and/or renewing such licences, permits, consents and approvals. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

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OUR CERTIFICATIONS AND AWARDS

As at the Latest Practicable Date, we have been awarded of the following certificates in recognition of our efforts in management system:

Certifications	Valid period	Awarding entity	Entity awarded
ISO 9001:2015 (Provision of formwork services)	27 April 2019 to 27 April 2022	Accredited Certification International Limited	Temmex
ISO 14001:2015 (Provision of formwork services)	27 April 2019 to 27 April 2022	Accredited Certification International Limited	Temmex
ISO 45001:2018 (Provision of formwork services)	27 April 2019 to 27 April 2022	Accredited Certification International Limited	Temmex

As advised by our Legal Counsel, the validity of the above certificates is subject to the continuing satisfactory operation of the relevant holder's management system and surveillance audits which are not legal matters. On this basis, our Legal Counsel is of the view that there is no legal impediment for the renewal of these certifications. Our Directors confirmed that they are not aware of or expect any circumstances or difficulties that would significantly hinder or delay the renewal of these certifications.

OUR PROJECTS

We have completed 40 formwork works projects during the Track Record Period with an aggregate original contract sum amounting to approximately HK\$1,688.0 million. All of our works were project-based and we acted as a subcontractor in these projects. The formwork works projects undertaken by us originated from both public sector (including projects where the ultimate customers were Government departments or statutory bodies) and private sector (including projects where the ultimate customers were not Government or statutory bodies). The respective number of formwork works projects handled by our Group and the revenue

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attributable to the public and private sector projects by provision of formwork works services during the Track Record Period were as follows:

	FY2017			FY2018			FY2019			FY2020		
	No. of projects		Revenue <i>(Note 3)</i> HK\$'000	No. of projects		Revenue <i>(Note 3)</i> HK\$'000	No. of projects		Revenue <i>(Note 3)</i> HK\$'000	No. of projects		Revenue <i>(Note 3)</i> HK\$'000
		%			%			%			%	
Public sector ^(Note 1)	6	91,173	20.7	9	124,771	30.0	15	225,270	44.6	14	202,798	46.7
Private sector ^(Note 2)	14	348,951	79.3	14	290,552	70.0	14	279,918	55.4	23	231,826	53.3
Total	20	440,124	100	23	415,323	100	29	505,188	100	37	434,624	100

Notes:

- Public sector projects include those projects where the ultimate customers are Government departments and/or statutory bodies; and
- Private sector projects include projects where the ultimate customers are neither Government departments nor statutory bodies.
- The number of projects is determined based on the number of projects for which revenue was recognised during the relevant financial year.

Based on the project nature, our projects can also be categorised into (i) building construction projects and (ii) civil engineering projects. The following table sets out our revenue during the Track Record Period by reference to the nature of our projects:

	FY2017			FY2018			FY2019			FY2020		
	No. of projects		Revenue <i>(Note 3)</i> HK\$'000	No. of projects		Revenue <i>(Note 3)</i> HK\$'000	No. of projects		Revenue <i>(Note 3)</i> HK\$'000	No. of projects		Revenue <i>(Note 3)</i> HK\$'000
		%			%			%			%	
Building construction ^(Note 1)	15	248,684	56.5	18	331,789	79.9	22	489,234	96.8	31	360,964	83.1
Civil engineering ^(Note 2)	5	191,440	43.5	5	83,534	20.1	7	15,954	3.2	6	73,660	16.9
Total	20	440,124	100	23	415,323	100	29	505,188	100	37	434,624	100

Notes:

- Building construction projects involve the erection of residential buildings, commercial buildings and/or institutional buildings; and
- Civil engineering projects involve the construction of infrastructure.
- The number of projects is determined based on the number of projects for which revenue was recognised during the relevant financial year.

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Our revenue was primarily derived from building construction projects, which contributed approximately HK\$248.7 million, HK\$331.8 million, HK\$489.2 million and HK\$361.0 million, representing 56.5%, 79.9%, 96.8%, and 83.1% to our total revenue during FY2017, FY2018, FY2019 and FY2020, respectively.

The revenue attributable to civil engineering projects decreased from approximately HK\$191.4 million in FY2017 to approximately HK\$83.5 million in FY2018 and further to approximately HK\$16.0 million in FY2019. The decrease was due to (i) the decrease in aggregate revenue generated from sizeable civil engineering projects including Project TMB-21, Project TMB-32 and Project TMB-44 from approximately HK\$188.8 million in FY2017 to HK\$72.3 million in FY2018 and further to HK\$3.1 million in FY2019, which resulted from the completion of these projects during FY2018 and FY2019; and (ii) the completion of some of the Ten Major Infrastructure Projects and the absence of large-scale construction projects introduced by the Government, only four civil engineering projects, with an aggregate original contract sum of approximately HK\$29.1 million, were awarded to us and commenced the site works in FY2017, FY2018 and FY2019. During FY2020, the revenue derived from civil engineering projects increased to approximately HK\$73.7 million, which was mainly attributable to the commencement of works for Project TMB-87, from which we derived revenue of approximately HK\$65.0 million for FY2020.

During the Track Record Period, we had increasingly undertaken projects with larger revenue recognition. The following table sets out the breakdown of such projects based on the revenue recognised during the Track Record Period:

	FY2017		FY2018		FY2019		FY2020	
	No. of projects	Revenue <i>HK\$'000</i>	No. of projects <i>(Note 1)</i>	Revenue <i>HK\$'000</i>	No. of projects <i>(Note 2)</i>	Revenue <i>HK\$'000</i>	No. of projects <i>(Note 3)</i>	Revenue <i>HK\$'000</i>
Revenue recognised								
HK\$50 million or above	2	180,432	1	72,741	4	260,944	3	246,071
HK\$10 million to below HK\$50 million	7	229,356	12	305,289	7	189,787	6	103,698
HK\$5 million to below HK\$10 million	2	14,372	4	28,785	5	38,606	4	24,748
HK\$1 million to below HK\$5 million	5	14,105	3	7,791	5	13,006	19	56,724
Below HK\$1 million	4	1,859	3	717	8	2,845	5	3,383
	20	440,124	23	415,323	29	505,188	37	434,624

Notes:

- Out of the 23 projects which contributed revenue in FY2018, 14 projects also contributed revenue in FY2017.
- Out of the 29 projects which contributed revenue in FY2019, 11 projects and 19 projects also contributed revenue in FY2017 and FY2018, respectively.
- Out of the 37 projects which contributed revenue in FY2020, four projects, 12 projects and 21 projects also contributed revenue in FY2017, FY2018 and FY2019, respectively.

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Completed projects

During the Track Record Period, we have completed 40 projects with an aggregate original contract sum of approximately HK\$1,688.0 million. The following table sets out the details of our completed projects during the Track Record Period in descending order by original contract sum:

Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Project period ^(Note 1)	Original contract sum ^(Note 2) HK\$'000	Revenue recognised for FY2017 for FY2017 HK\$'000	Revenue recognised for FY2018 for FY2018 HK\$'000	Revenue recognised for FY2019 for FY2019 HK\$'000	Revenue recognised for FY2020 for FY2020 HK\$'000	Overall gross profit margin %
1	TMB-32	Customer B ^(Note 3)	Railway in West Kowloon	Civil engineering	Private	December 2013 to September 2017	286,185	119,301	21,068	160 ^(Note 8)	–	23.5
2	TMB-53	Customer C ^(Note 3)	Public residential in Fo Tan	Building construction	Public	October 2016 to May 2019	141,000	49,036	34,733	70,963	3,033	27.5
3	TMB-84	Customer A ^(Note 3)	Industrial building in Tseung Kwan O	Building construction	Private	August 2019 to March 2020 ^(Note 7)	117,637	–	–	–	123,407	18.0 ^(Note 11)
4	TMB-55	Customer F ^(Note 3)	Private residential in Kau To Shan	Building construction	Private	November 2016 to April 2019	111,811	6,031	72,741	64,336	823	20.8 ^(Note 12)
5	TMB-67	Customer A	Private residential in Pak Shek Kok	Building construction	Private	December 2017 to July 2019	96,826	–	13,845	74,706	3,798	3.9
6	TMB-41	Customer A	Private residential in Tsuen Wan	Building construction	Private	June 2015 to January 2018	89,467	47,990	7,277	180 ^(Note 8)	–	13.0
7	TMB-40	Customer A	Private residential in Tseung Kwan O	Building construction	Private	May 2015 to November 2016	80,193	4,454	–	–	–	5.7
8	TMB-63	Customer A	Private residential in Pak Shek Kok	Building construction	Private	October 2017 to December 2019	66,973	–	45,868	25,282	4,290	2.9

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Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Project period ^(Note 1)	Original contract sum ^(Note 2)	Revenue recognised for FY2017	Revenue recognised for FY2018	Revenue recognised for FY2019	Revenue recognised for FY2020	Overall gross profit margin %
								HK\$'000	HK\$'000	HK\$'000	HK\$'000	
9	TMB-52	Customer C	Public residential in Choi Hung	Building construction	Public	August 2016 to March 2019	65,739	28,660	9,779	30,679	-	28.4
10	TMB-49	Customer A	Private residential in Tseung Kwan O	Building construction	Private	March 2016 to November 2017	61,077	47,086	5,175	-	-	(5.0)
11	TMB-21	Customer D ^(Note 3)	Railway in West Kowloon	Civil engineering	Private	November 2011 to May 2018	60,878	61,131	23,785	673	-	30.0
12	TMB-59	Customer A	Commercial building in Kwun Tong	Building construction	Private	March 2017 to October 2018	55,033	423	47,482	515	850 ^(Note 8)	12.3
13	TMB-54	Customer C	Public residential in Ho Man Tin	Building construction	Public	October 2016 to March 2019	54,177	2,470	22,049	25,139	-	30.5
14	TMB-69	Customer A	Private residential in Pak Shek Kok	Building construction	Private	March 2018 to November 2019	52,987	-	1,428	48,110	2,380	4.0
15	TMB-50	Customer A	Commercial building in Causeway Bay	Building construction	Private	March 2016 to August 2017	47,929	34,148	6,555	-	-	8.9
16	TMB-37-39	Customer C	Theme park on Lantau Island	Building construction	Private	September 2014 to May 2016	39,865	950	-	-	-	17.3
17	TMB-76	Customer A	Private residential in Ho Man Tin	Building construction	Private	September 2018 to December 2019	31,439	-	-	31,151	11,241 ^(Note 10)	10.7
18	TMB-77	Customer C	Private residential in Sai Kung	Building construction	Private	December 2018 to September 2019	25,539	-	-	9,262	13,753	17.6

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Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Project period ^(Note 1)	Original contract sum ^(Note 2)	Revenue recognised for FY2017	Revenue recognised for FY2018	Revenue recognised for FY2019	Revenue recognised for FY2020	Overall gross profit margin %
							HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
19	TMB-45	Customer E ^(Note 3)	Private residential in Mid-levels	Building construction	Private	September 2015 to December 2016	24,664	10,779	-	-	-	(8.4)
20	TMB-60	Customer G ^(Note 3)	Private residential in Yuen Long	Building construction	Private	June 2017 to February 2019	24,232	-	24,313	517	162	10.5
21	TMB-64	Customer C	Public residential in Wong Tai Sin	Building construction	Public	November 2017 to December 2019	23,280	-	13,166	5,039	5,773	18.1
22	TMB-61	Customer A	Private residential in To Kwa Wan	Building construction	Private	July 2017 to October 2019	22,029	-	20,653	4,226	1,543	8.3
23	TMB-71	Customer F	Clubhouse in Causeway Bay	Building construction	Private	June 2018 to December 2019	14,885	-	-	11,751	5,785	16.8
24	TMB-47	Customer E	Private residential in Wong Chuk Hang	Building construction	Private	March 2016 to July 2017	14,750	11,658	112	(65) ^(Note 9)	-	(5.1)
25	TMB-80	Customer J	Hospital in Shatin	Building construction	Public	March 2019 to September 2019	12,315	-	-	187	11,839	15.5
26	TMB-46	Customer E	Private residential in Mid-levels	Building construction	Private	December 2015 to June 2016	12,305	2,733	-	-	-	9.5
27	TMB-66	Customer I ^(Note 3)	Commercial building in Central	Building construction	Private	April 2018 to July 2019	10,230	-	-	9,113	556	14.7
28	TMB-68	Customer C	Public residential in Ma On Shan	Building construction	Public	January 2018 to March 2020	9,401	-	4,212	3,102	4,090	21.6

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Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Project period ^(Note 1)	Original contract sum ^(Note 2)	Revenue recognised for FY2017	Revenue recognised for FY2018	Revenue recognised for FY2019	Revenue recognised for FY2020	Overall gross profit margin %
								HK\$'000	HK\$'000	HK\$'000	HK\$'000	
29	TMB-62	Customer C	Public residential in Tuen Mun	Building construction	Public	February 2018 to September 2019	8,049	2,151	5,885	2,665	28.5	
30	TMB-78	Customer F	Private residential in Kai Tak	Building construction	Private	May 2019 to November 2019	6,467	-	-	3,189	17.6	
31	TMB-73	Customer H ^(Note 3)	Infrastructure in Kai Tak	Civil engineering	Public	July 2018 to July 2019	4,685	-	9,306 ^(Note 10)	992	20.9	
32	TMB-43	Customer C	Theme park in Lantau Island	Building construction	Private	September 2015 to May 2016	4,392	-	-	-	23.9	
33	TMB-57	Customer K ^(Note 4)	Landscaping in Shatin	Civil engineering	Public	January 2017 to August 2017	4,098	354	138	-	25.5	
34	TMB-72	Customer K	Public utilities in Tsing Yi	Civil engineering	Public	September 2018 to September 2019	2,510	-	1,476	1,003	(39.3)	
35	TMB-44	Customer C	Public utilities in Kai Tak	Civil engineering	Public	September 2015 to December 2017	2,474	27,405 ^(Note 10)	2,218 ^(Note 8)	-	16.7	
36	TMB-93	Customer F	Private residential in Kai Tak	Building construction	Private	December 2019 to January 2020	1,000	-	-	1,000	6.3	
37	TMB-83	Customer K	Public utilities in Tseung Kwan O	Civil engineering	Public	August 2019 to November 2019	900	-	-	1,136	27.8	
38	TMB-79	Customer L ^(Note 5)	Hospital in Shatin	Building construction	Public	February 2019 to March 2019	365	-	542	-	(48.3)	

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Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Project period ^(Note 1)	Original contract sum ^(Note 2)	Revenue recognised for FY2017	Revenue recognised for FY2018	Revenue recognised for FY2019	Revenue recognised for FY2020	Overall gross profit margin %
							HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
39	TMB-65	Customer I	Private residential in Kowloon Tong	Building construction	Private	December 2017 to December 2017	251	-	251	-	-	16.7
40	TMB-51	Customer M ^(Note 6)	Private residential in Tai Tam	Building construction	Private	July 2016 to March 2017	By remeasurement	2,074	-	-	-	17.8
Total:							1,688,037	439,829	404,402	434,591	203,308	

Notes:

- The project period represents the duration of our works with reference to the commencement date and completion date of the relevant project based on the dates of the first and last interim payment applications submitted to our customers.
- The original contract sum is based on the initial agreement between our customer and us and may not include additions, modifications and cancellation due to subsequent variation orders, and therefore final revenue recognised from a contract may differ from the contract sum.
- This is one of our five largest customers during the Track Record Period. For further details, please refer to the paragraph headed "Our customers – Our major customers" in this section.
- Customer K is a registered general building contractor in Hong Kong with a total paid up capital of approximately HK\$28.7 million as at the Latest Practicable Date.
- Customer L is a registered general building contractor in Hong Kong with a total paid up capital of HK\$100 as at the Latest Practicable Date.
- Customer M is a registered general building contractor in Hong Kong with a total paid up capital of approximately HK\$0.4 million as at the Latest Practicable Date.

7. Project TMB-84 had a project period of less than one year, which was shorter than other building construction projects with a contract sum over HK\$100 million, such as Project TMB-53 and Project TMB-55, both of which were commenced in 2016 and completed in 2019. Project TMB-84 was an industrial building project, which only involved single building with single phase of site possession and therefore had no prolonged pending or transitional period between different phases of site possession, while Project TMB-53 and Project TMB-55 were residential building projects and involved multiple buildings with different phases of site possession which led to a relatively longer construction period.
8. The revenue was contributed from the variation order(s) placed by the respective customer after the completion of project.
9. The deducted amount was due to the deduction for remedial works for defects incurred by the respective customer.
10. The amount of revenue contributed was substantially higher than the original contract sum due to the variation orders placed by the respective customer for additional works.
11. Project TMB-84 recorded an overall gross profit margin of approximately 18.0%, which was higher than the overall gross profit margin from private sector during the Track Record Period. This was mainly because we incurred relatively less direct labour costs in Project TMB-84 as a result of less man-days utilised as compared to other projects of similar size. Due to the tight schedule and single phase of site possession involved in Project TMB-84, we executed most of the project works in various areas simultaneously and therefore there was less idle man-days chargeable to our Group.
12. Such project recorded a relatively higher overall gross profit margin than other private residential building construction projects due to the fact that it involves building of houses, which the layouts are similar and easy to install, as compared with building of flats and incurred low direct labour costs by reducing the execution time and site workers involved.

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The following table sets out the details of our completed projects after the Track Record Period and up to the Latest Practicable Date in descending order by original contract sum:

Project Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Project period ^(Note 1)	Original contract sum ^(Note 2)	Revenue recognised for FY2017	Revenue recognised for FY2018	Revenue recognised for FY2019	Revenue recognised for FY2020	Expected revenue to be recognised from the project for the period from 1 April 2020 to the Latest Practicable Date	Expected overall gross profit margin %
							HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	TMB-87	Customer P ^(Note 3)	Public utilities in Kwun Tong	Civil engineering	Public	December 2019 to July 2020	58,821	-	-	-	65,039	18,937	18.5
2	TMB-86	Customer A ^(Note 3)	Commercial building in Kowloon Bay	Building construction	Private	January 2020 to June 2020	18,845	-	-	-	11,437	8,351	10.1
3	TMB-82	Customer E ^(Note 3)	Private residential in Yuen Long	Building construction	Private	August 2019 to August 2020	11,989	-	-	-	7,292	4,815	9.4
4	TMB-92	Customer E ^(Note 3)	Private residential in Kowloon City	Building construction	Private	December 2019 to August 2020	11,785	-	-	-	4,685	7,696	11.8
5	TMB-91	Customer E	Private residential in Sai Ying Pun	Building construction	Private	August 2020 to November 2019	8,807	-	-	-	4,958	4,298	11.3
6	TMB-81	Customer O ^(Note 4)	Public utilities in Kai Tak	Building construction	Public	June 2019 to July 2020	7,614	-	-	-	5,897	2,206	21.8
7	TMB-88	Customer E	Private residential in Yuen Long	Building construction	Private	November 2019 to July 2020	6,957	-	-	-	4,083	3,237	7.8
8	TMB-89	Customer E	Commercial Building in Central	Building construction	Private	December 2019 to August 2020	5,426	-	-	-	2,534	3,168	14.7

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Project Number code	Customer	Brief description of the site	Nature of project	Public/private sector	Project period ^(Note 1)	Original contract sum ^(Note 2) HK\$'000	Revenue recognised for FY2017	Revenue recognised for FY2018	Revenue recognised for FY2019	Revenue recognised for FY2020	Latest Practicable Date	Expected overall gross profit margin %
							HK\$'000	HK\$'000	HK\$'000	HK\$'000		
9	TMB-85 Customer F ^(Note 3)	Private residential in Kai Tak	Building construction	Private	November 2019 to April 2020	2,932	-	-	-	2,641	446	2.5
Total:						133,176	-	-	-	108,566	53,154	

Notes:

- The project period represents the duration of our works with reference to the commencement date and completion date of the relevant project based on the dates of the first and last interim payment applications submitted to our customers.
- The original contract sum is based on the initial agreement between our customer and us and may not include additions, modifications and cancellation due to subsequent variation orders, and therefore final revenue recognised from a contract may differ from the contract sum.
- This is one of our five largest customers during the Track Record Period. For further details, please refer to the paragraph headed "Our customers – Our major customers" in this section.
- Customer O is a joint venture in Hong Kong formed by a subsidiary of Customer C and a subsidiary of a public company listed on the Taiwan Stock Exchange, the principal business of which include the provision of construction and real estate development business and the revenue of which amounted to approximately 22.7 billion New Taiwan dollars for the year of 2019.

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We determine our tender price on a case-by-case basis by adopting a cost-plus pricing model. Under the model, we determine the tender rate per square metre of formwork for each project with reference to the unit rate for each cost item (e.g. labour and construction material costs), plus our markup being the profit to be derived from the project. The tender price is then set with reference to, among others, the tender rate and the estimated quantities of works according to the tender documents for each project. As our Group's estimation of the unit rate for each cost item takes into account the types and quantities of works to be completed, the gross profit margin derived from actual implementation of a completed project may therefore deviate from the estimated profit margin in situations, including but not limited to variation orders placed by our customers for the modification of original work scope, fluctuation of labour costs and construction material costs, delay of the overall project progress, adverse weather conditions during the project period and unsatisfactory performance of our works.

During the Track Record Period, our overall gross profit margin ranged from approximately 12.2% to 18.2%. Our Directors would determine an estimated profit margin, taking into account factors including (i) nature, scope and complexity of the work involved; (ii) estimated tender prices of our competitors; (iii) the availability of our manpower and resources; (iv) relationship with the customer; and (v) potential risk, on top of the estimated overall cost when we decided to submit a tender to our potential customer. In general, we adopt a relatively thin estimated profit margin to the private residential projects, such as Project TMB-40, Project TMB-46, Project TMB-50, Project TMB-61, Project TMB-63, Project TMB-67 and Project TMB-69, to enhance our competitiveness in tendering process amongst other competitors. Our Directors consider that most of these private residential projects were sizable and allowed us to generate a considerable revenue and profit from them despite lower gross profit margin. Meanwhile, higher estimated profit margin would be adopted to civil engineering projects, such as Project TMB-21, Project TMB-32 and Project TMB-57, and public residential projects, such as Project TMB-52, Project TMB-53, Project TMB-54 and Project TMB-62, due to the fact that (i) civil engineering projects normally have a longer project duration; (ii) public sector projects tend to have stringent requirements and standard for formwork works subcontractors, which subcontractors are often exposed to higher risk and costs in managing public sector projects; and (iii) public sector projects usually have higher administrative and management costs.

We recorded loss from five projects during the Track Record Period, details of which are set out in the paragraph headed "Pricing strategy" in this section.

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Movement of our backlog

The following table sets forth the movement of our backlog of projects, the aggregate of which represents the total estimated contract value of works (after taking into account adjustments and variation orders) which remain to be completed pursuant to the terms of the outstanding contracts as at a certain date and assuming performance in accordance with the terms of the contract, during the Track Record Period:

	No. of projects	Value of backlog approximately HK\$ million
On-going projects as at 1 April 2016	12	408.3
New projects secured and contract value awarded during FY2017 <i>(Note 1)</i>	8	604.3
Projects completed/Revenue recognised during FY2017 <i>(Note 2)</i>	(6)	(440.1)
	<u>(6)</u>	<u>(440.1)</u>
On-going projects as at 31 March 2017	14	572.5
	<u>14</u>	<u>572.5</u>
New projects secured and contract value awarded during FY2018 <i>(Note 1)</i>	9	311.3
Projects completed/Revenue recognised during FY2018 <i>(Note 2)</i>	(7)	(415.3)
	<u>(7)</u>	<u>(415.3)</u>
On-going projects as at 31 March 2018	16	468.5
	<u>16</u>	<u>468.5</u>
New projects secured and contract value awarded during FY2019 <i>(Note 1)</i>	10	272.7
Projects completed/Revenue recognised during FY2019 <i>(Note 2)</i>	(7)	(505.2)
	<u>(7)</u>	<u>(505.2)</u>
On-going projects as at 31 March 2019	19	236.0
	<u>19</u>	<u>236.0</u>
New projects secured and contract value awarded during FY2020 <i>(Note 1)</i>	19	577.0
Projects completed/Revenue recognised during FY2020 <i>(Note 2)</i>	(20)	(434.6)
	<u>(20)</u>	<u>(434.6)</u>
On-going projects as at 31 March 2020	18	378.4
	<u>18</u>	<u>378.4</u>

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	No. of projects	Value of backlog <i>approximately</i> <i>HK\$ million</i>
New projects secured and contract value awarded during the period between 1 April 2020 and the Latest Practicable Date <i>(Note 1)</i>	9	529.8
Projects completed/Estimated revenue recognised during the period between 1 April 2020 and the Latest Practicable Date <i>(Note 2)</i>	(9)	(182.2)
	18	726.0
On-going projects as at the Latest Practicable Date		

Notes:

1. It means the total contract sum of new projects (taking into account adjustments and variation orders) and the movements of contract value of existing projects as at the end of the relevant financial year which were awarded to us during the relevant financial year.

2. It means the value of contract work recognised as revenue during the relevant financial year. The revenue recognised during FY2017, FY2018, FY2019 and FY2020 is based on the audited combined financial statements for the Track Record Period. The estimated revenue recognised during the period between 1 April 2020 and the Latest Practicable Date is based on the currently available unaudited financial information including, amongst others, (i) payment application; (ii) payment certificate; and (iii) written correspondence indicating the value of work completed for the relevant period that is pending for the payment certification.

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The following table sets out the breakdown of the contract value from newly awarded projects and the new contract value incurred by variation orders and work adjustments:

	FY2017	FY2018	FY2019	FY2020	From 1 April 2020 to the Latest Practicable Date
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Original contract sum of newly awarded projects	451.7	304.0	301.1	528.0	526.3
Net value of variation orders awarded/work adjustments	152.6 <i>(Note 1)</i>	7.3	(28.4) <i>(Note 2)</i>	49.0 <i>(Note 3)</i>	3.5
Total contract value awarded	604.3	311.3	272.7	577.0	529.8

Notes:

1. The significant recognition of value of variation orders awarded in FY2017 was mainly attributable to (i) a supplementary agreement entered into with Customer D for Project TMB-21 in early 2017 with an additional contract value of approximately HK\$70.0 million granted to us; and (ii) the additional works for change of original planning of Project TMB-44 with the value of approximately HK\$16.1 million.
2. The work adjustments that caused the reduction of value for Project TMB-21 in FY2019 was mainly due to (i) the cancellation of contract value of provision of our own metal scaffold equipment for project execution as requested by Customer D; and (ii) the remeasurement of works done by us in the negotiation of settling final account.
3. The increase in value of variation orders awarded in FY2020 was mainly due to the additional works for change of original planning of Project TMB-70 with the value of approximately HK\$21.2 million and of Project TMB-87 with the value of approximately HK\$25.0 million.

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The total contract value of our projects in backlog experienced a decrease from approximately HK\$572.5 million as at 31 March 2017 to approximately HK\$378.4 million as at 31 March 2020 as shown in the above table. It was mainly due to the fact that we have commenced five, three, two and four project(s) with the original contract sum over HK\$50 million in FY2017, FY2018, FY2019 and FY2020, respectively. To maintain enough resource for the five sizeable projects commenced in FY2017, we did not actively cater for the projects with similar size until the completion of some of our sizeable projects on hand. We consider our capability before responding to tender invitations with limited project scale. In view of our works of most of the sizeable projects, such as Project TMB-52, Project TMB-53, Project TMB-54, Project TMB-55 and Project TMB-67, contributed the respective revenue substantially in FY2019, we have been actively seeking for business opportunities in the market and there were nine projects, with an aggregate original contract sum of approximately HK\$526.3 million, awarded to us during the period between 1 April 2020 and the Latest Practicable Date. As a result, we recorded the outstanding contract value of our projects in backlog yet to be recognised of approximately HK\$726.0 million as at the Latest Practicable Date. Furthermore, we have 100 submitted tenders with an aggregate estimated contract value of approximately HK\$5,434.8 million which were undergoing tendering process and as at the Latest Practicable Date (excluding four repeated tenders with the estimated contract sum of approximately HK\$353.3 million, HK\$108.3 million, HK\$68.5 million and HK\$2.1 million, respectively, submitted for the same projects but different potential customers). These tenders remain a high degree of uncertainty to be secured. Therefore, our Directors believe that if our Group is able to raise sufficient funds to implement our future plans by equity financing, we can capture the growth in the formwork works industry and undertake additional and large-scale projects.

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Our projects in backlog as at the Latest Practicable Date

As at the Latest Practicable Date, we had 18 projects (including projects in progress and projects which were awarded to us but not yet commenced) in our backlog, with an aggregate total contract sum of approximately HK\$1,059.7 million and an outstanding contract sum yet to be recognised as at the Latest Practicable Date of approximately HK\$726.0 million, of which approximately HK\$227.3 million and HK\$498.7 million are expected to be recognised as our revenue for FY2021 and the period after FY2021, respectively. The following table sets out the details of our projects in backlog as at the Latest Practicable Date in descending order by total contract sum:

Project Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Expected period (Note 1)	Total contract sum (Note 2)	Revenue derived from the project			Expected revenue to be recognised from the project for the period from 1 April 2020 to the Latest Practicable Date (Note 3)	Expected revenue to be recognised from the project for the period from the Latest Practicable Date to the period after 31 March 2021 (Note 3)	
								FY2017	FY2018	FY2019			FY2020
								HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1	TMB-107	Customer V (Note 1)	Airport Centres on Lantau Island	Civil Engineering	Public	March 2021 to December 2023	166,251	-	-	-	-	8,694	157,557
2	TMB-70	Customer C (Note 4)	Public residential in Diamond Hill	Building construction	Public	June 2018 to June 2021	147,944	-	50,936	35,122	26,815	14,742	20,329
3	TMB-105	Customer U (Note 10)	Public residential in Tai Po	Building construction	Public	September 2020 to February 2023	118,000	-	-	-	-	19,311	98,689
4	TMB-94	Customer C	Public residential in Ma On Shan	Building construction	Public	March 2020 to March 2022	91,330	-	-	4,207	16,946	2,919	67,258
5	TMB-75	Customer F (Note 4)	Public residential in Fanling	Building construction	Public	November 2018 to September 2020	90,947	-	17,678	57,625	14,277	1,367	-
6	TMB-106	Customer T (Note 9)	Public utilities in Tseung Kwan O	Civil engineering	Public	September 2020 to December 2022	72,969	-	-	-	-	11,942	61,027

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Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Expected period (Note 1)	Total contract sum (Note 2)	Revenue derived from the project			Expected revenue to be recognised from the project for the period from 1 April 2020 to the Latest Practicable Date (Note 3)	Expected revenue to be recognised from the project for the period after the period after 31 March 2021 (Note 3)	
								FY2017	FY2018	FY2019			
							HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
7	TMB-101	Customer R (Note 7)	Private residential in Yau Tong	Building construction	Private	July 2020 to March 2022	72,062	-	-	-	6,805	23,747	41,510
8	TMB-95-96	Customer Q (Note 6)	Private residential in designated sites by customer	Building construction	Private	December 2020 to May 2021	60,000	-	-	-	-	42,000	18,000
9	TMB-90	Customer A (Note 4)	Private residential in Mongkok	Building construction	Private	November 2019 to June 2021	58,830	-	-	20,306	16,106	18,417	4,001
10	TMB-102	Customer T	Private residential in Cheung Sha Wan	Building construction	Private	August 2020 to March 2021	31,692	-	-	-	6,412	25,280	-
11	TMB-100	Customer A	Private residential in Kai Tak	Building construction	Private	May 2020 to June 2021	29,887	-	-	-	20,188	2,805	6,894
12	TMB-98	Customer C	Airport Centres on Lantau Island	Civil engineering	Public	July 2020 to February 2021	27,855	-	-	-	6,148	21,707	-
13	TMB-99	Customer R	University college building in Kowloon Tong	Building construction	Private	June 2020 to September 2021	27,749	-	-	-	4,072	15,404	8,273
14	TMB-104	Customer F	Public residential in Hung Hom	Building construction	Public	August 2020 to October 2021	25,500	-	-	-	1,890	12,597	11,013
15	TMB-58	Customer N (Note 5)	Infrastructure in Kai Tak	Civil engineering	Public	March 2017 to September 2020	21,290	295	10,921	1,983	4,376	100	-

BUSINESS

Number	Project code	Customer	Brief description of the site	Nature of project	Public/private sector	Expected period (Note 1)	Total contract sum (Note 2)	Revenue derived from the project			Expected revenue to be recognised from the project for the period from 1 April 2020 to the Latest Practicable Date (Note 3)	Expected revenue to be recognised from the project for the period after 31 March 2021 (Note 3)		
								FY2017	FY2018	FY2019				
							HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
16	TMB-108	Customer E (Note 4)	Private residential in Mid-levels	Building construction	Private	October 2020 to October 2021	7,960	-	-	-	-	3,839	4,121	
17	TMB-97	Customer S (Note 8)	Railway depot in Tseung Kwan O	Civil engineering	Private	March 2020 to January 2021	6,062	-	-	1,114	2,578	2,370	-	
18	TMB-103	Customer A	Public facilities on Lantau Island	Building construction	Public	August 2020 to October 2020	3,338	-	-	-	3,238	100	-	
Total:							1,059,666	295	10,921	70,597	122,750	129,090	227,341	498,672

Notes:

- The expected project period represents the duration of our works with reference to the commencement date and the expected completion date based on our management's best estimates according to the expected completion dates specified in the relevant contracts (if any), the extension period granted by customers (if any), and the actual work schedule up to the Latest Practicable Date.
- The total contract sum represents the original estimated contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contract and other updated information provided by the relevant customer.
- It represents our best estimation based on factors including the original contract sum, the estimated completion date specified in the relevant contracts, variation orders received and work progress as at the Latest Practicable Date.
- This is one of our five largest customers during the Track Record Period. For further details, please refer to the paragraph headed "Our customers – Our major customers" in this section.

5. Customer N is a joint venture in Hong Kong formed by a subsidiary of a public company listed on the Stock Exchange, the principal business of which include the provision of civil engineering services in Hong Kong and the revenue of which amounted to approximately HK\$231.7 million for FY2020, and a registered general building contractor in Hong Kong.
6. Customer Q is a registered specialist trade contractor under the category of reinforcement bar fixing in Hong Kong.
7. Customer R is a registered general building contractor; subsidiary of a public company listed in Hong Kong, the principal activities of which include the provision of building construction services in Hong Kong and the revenue of which amounted to approximately HK\$4,833.9 million for the year ended 31 December 2019.
8. Customer S is a registered general building contractor and registered specialist contractor under foundation and site formation works categories in Hong Kong.
9. Customer T is a registered general building contractor; subsidiary of a public company listed in Hong Kong, the principal activities of which include the provision of construction contracts business services and the revenue of which amounted to approximately HK\$61.7 billion for the year ended 31 December 2019.
10. Customer U is a registered building contractor and registered contractor for public works in buildings and plumbing installation in Hong Kong.
11. Customer V is a registered general building contractor and registered specialist contractor under buildings, port works, roads and drainage, site formation and waterworks categories in Hong Kong. Customer V is a subsidiary of a public company listed in Hong Kong.

OUR CUSTOMERS

Characteristics of our customers

Our customers are primarily the main contractors of various types of building construction or civil engineering projects in Hong Kong, including main contractors engaged by private property developers or developers employed by the government or public transport operators for civil engineering projects. All of our customers are located in Hong Kong and all of our service fees are denominated in Hong Kong dollars. We usually grant our customers with a credit period within 35 days from the date of issuance of our payment applications and our customers settle our payment typically by cheque or bank transfer.

Principal terms of engagement

During the Track Record Period, our customers generally engaged us for a specific project by entering into a legally binding service contract (including letter of award).

In general, contracts entered into between us and our customers contain terms and conditions relating to the contract price, project duration, the scope of work and the payment terms. Our contracts may also contain the following terms:

Variation order

Subject to the terms and conditions of contracts, our customers may give instructions to vary the works. Such variation orders could be addition, modification or cancellation of works. The price of the variation works is generally set in accordance with the contract rate as stipulated in the bills of quantity and the total contract sum of the relevant project will be adjusted accordingly. As such, the amount of revenue that we may derive from a project may be higher or lower than the original contract sum.

We are usually notified of a variation order by way of a record form from our customer setting out the detailed works to be carried out as a result of such variation order. We will then set out the completed works of variation order in our payment application to the customer. The principal terms and settlement of variation orders are generally in line with the terms of the original contract.

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Retention money

When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally up to 10% of each interim payment and in aggregate subject to a maximum limit of 5% of the total contract sum. In general, the first half of the retention money will be released upon the practical completion of our works and the remaining will be released within 12 months after the completion of our works or the expiry of the defects liability period.

Liquidated damages

Some of our contracts include a liquidated damages clause to protect our customers against any late completion of works. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts and/or extended time granted by the customers. Liquidated damages are typically calculated on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on a daily basis.

During the Track Record Period and up to the Latest Practicable Date, no material liquidated damages had been claimed by our customers against us.

Due to the fact that our major suppliers are located in Hong Kong and we will plan and order the construction materials in advance, we do not expect that the outbreak of COVID-19 will materially affect the progress of our on-going projects based on the latest market conditions and supply of materials. However, the situation may become worse if any of our on-going projects would be suspended or cancelled and/or delay in supply of construction materials from our suppliers due to the outbreak of COVID-19. In consequence, we may not be able to fulfil our contractual obligations with our customers, which may result in loss of our contracts with them or we may be liable to pay damages or compensation to our customers for their loss suffered and/or impacted to our long term business relationships due to our delay or default.

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According to the Ipsos Report, it is common that under the main contract entered into between the main contractor and the employer, the main contractor is entitled to extend the completion date of the project (i.e. extension of time) under certain circumstances which are beyond the control and without the fault or negligence of the party affected, such as the outbreak of severe communicable diseases. Our Directors believe that once our customers are granted an extension of time, we are able to apply for the same extension of time to avoid any potential liquidated damages to be imposed on us for delay or suspension of the on-going projects due to the outbreak of COVID-19.

Insurance

During the Track Record Period, we acted as a subcontractor in our projects. Our customers, as main contractors, are generally required to take out and maintain for both the employees' compensation under the Employees' Compensation Ordinance and contractors' all risks insurance for the entire project. These insurance policies will cover all works performed and labour employed by us and our subcontractors.

Our major customers

For FY2017, FY2018, FY2019 and FY2020, our largest customers accounted for approximately 30.5%, 35.7%, 40.2% and 41.2% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 97.6%, 92.1%, 98.9% and 93.8% of our total revenue, respectively.

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The following tables set out the breakdown of our revenue by our five largest customers during the Track Record Period and their respective background:

FY2017

Rank	Customer	Type of services provided	Credit terms and payment method	Approximate years of business relationship <i>year(s)</i>	Revenue recognised for the year <i>HK\$'000</i>	% of the total revenue <i>%</i>
1	Customer A <i>(Note 1)</i>	Formwork works	14 days; bank transfer	4	134,101	30.5
2	Customer B <i>(Note 2)</i>	Formwork works	14 days; cheque	6	119,301	27.1
3	Customer C <i>(Note 3)</i>	Formwork works	30 days; cheque	7	89,649	20.4
4	Customer D <i>(Note 4)</i>	Formwork works	14 days; cheque	9	61,131	13.9
5	Customer E <i>(Note 5)</i>	Formwork works	30 days; cheque	8	25,170	5.7
Five largest customers combined					429,352	97.6
All other customers					10,772	2.4
Total revenue					440,124	100.0

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FY2018

Rank	Customer	Type of services provided	Credit terms and payment method	Approximate years of business relationship <i>year(s)</i>	Revenue recognised for the year <i>HK\$'000</i>	% of the total revenue <i>%</i>
1	Customer A	Formwork works	14 days; cheque	4	148,283	35.7
2	Customer C	Formwork works	30 days; cheque	7	113,495	27.3
3	Customer F <i>(Note 6)</i>	Formwork works	35 days; cheque	3	72,741	17.5
4	Customer G <i>(Note 7)</i>	Formwork works	30 days; cheque	3	24,313	5.9
5	Customer D	Formwork works	14 days; cheque	9	23,785	5.7
Five largest customers combined					382,617	92.1
All other customers					32,706	7.9
Total revenue					<u>415,323</u>	<u>100.0</u>

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FY2019

Rank	Customer	Type of services provided	Credit terms and payment method	Approximate years of business relationship <i>year(s)</i>	Revenue recognised for the year <i>HK\$'000</i>	% of the total revenue <i>%</i>
1	Customer C	Formwork works	30 days; cheque	7	203,223	40.2
2	Customer A	Formwork works	14 days; bank transfer	4	184,170	36.5
3	Customer F	Formwork works	35 days; cheque	3	93,765	18.6
4	Customer H <i>(Note 8)</i>	Formwork works	21 days; cheque	2	9,306	1.8
5	Customer I <i>(Note 9)</i>	Formwork works	30 days; cheque	2	9,113	1.8
Five largest customers combined					499,577	98.9
All other customers					5,611	1.1
Total revenue					<u>505,188</u>	<u>100.0</u>

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FY2020

Rank	Customer	Type of services provided	Credit terms and payment method	Approximate years of business relationship year(s)	Revenue recognised for the year HK\$'000	% of the total revenue %
1	Customer A	Formwork works	14 days; bank transfer	4	179,252	41.2
2	Customer F	Formwork works	35 days; cheque	3	71,063	16.4
3	Customer C	Formwork works	30 days; cheque	7	68,643	15.8
4	Customer P <i>(Note 10)</i>	Formwork works	45 days; cheque	1	65,039	15.0
5	Customer E	Formwork works	30 days; cheque	8	23,552	5.4
Five largest customers combined					407,549	93.8
All other customers					27,075	6.2
Total revenue					<u>434,624</u>	<u>100.0</u>

Notes:

- Customer A is a group of two registered general building contractors in Hong Kong with their paid up capital of approximately HK\$272.9 million and HK\$500,000, respectively, as at the Latest Practicable Date.
- Customer B is a joint venture in Hong Kong formed by the holding company of Customer A and a subsidiary of a construction group listed on the Australian Securities Exchange, the revenue of which amounted to approximately 14.7 billion Australian dollars for the year ended 31 December 2019. Our Directors confirmed that the joint venture was set up specifically for main project of Project TMB-21.
- Customer C is a group of three general building contractors in Hong Kong. All of them are subsidiaries of a public company listed in Hong Kong, the principal business of which is construction related business, including general building, civil engineering and others, and the revenue of which amounted to approximately HK\$5.5 billion for the year ended 31 December 2019.
- Customer D is a joint venture in Hong Kong formed by the holding company of Customer A and a subsidiary of a construction group listed on the Australian Securities Exchange, the revenue of which amounted to approximately 14.7 billion Australian dollars for the year ended 31 December 2019. Our Directors confirmed that the joint venture was set up specifically for main project of Project TMB-32.

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5. Customer E is a registered general building contractor in Hong Kong with a total paid up capital of HK\$6.0 million as at the Latest Practicable Date.
6. Customer F is a group of four registered general building contractors in Hong Kong. All of them are subsidiaries of a public company listed in Hong Kong, the principal business of which is construction engineering business, including management contracting, property development, property investment and hotel development, and the revenue of which amounted to approximately HK\$9.4 billion for FY2019.
7. Customer G is a construction contractor in Hong Kong. It is a subsidiary of a public company listed in Hong Kong, the principal business of which is property development, including the property development, property service, department stores, property investment, infrastructure, hotel operations and others, and the revenue of which amounted to approximately HK\$76.8 billion for the year ended 30 June 2019.
8. Customer H is a joint venture in Hong Kong formed by a subsidiary of Customer C and a subsidiary of a public company listed on the Taiwan Stock Exchange, the principal business of which include the provision of construction and real estate development business and the revenue of which amounted to approximately 22.7 billion New Taiwan dollars for the year of 2019. Our Directors confirmed that the joint venture was set up specifically for the main project of Project TMB-73.
9. Customer I is a construction company with unlimited liability established in Hong Kong.
10. Customer P is a registered specialist contractor under foundation works category; a subsidiary of a public company listed in Hong Kong, with the principal activities including the provision of foundation and site formation works in Hong Kong and the revenue of which amounted to approximately HK\$326.5 million for FY2020.

None of our Directors, their respective close associates, or any Shareholders who or which, own more than 5% of the total number of issued Shares as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period. All of our five largest customers are Independent Third Parties. Our Directors confirm that they are not aware of any of our major customers having experienced any material financial difficulties that may materially affect our Group's businesses.

Customer concentration

For FY2017, FY2018, FY2019 and FY2020, our largest customers accounted for approximately 30.5%, 35.7%, 40.2% and 41.2% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 97.6%, 92.1%, 98.9% and 93.8% of our total revenue, respectively.

According to the Ipsos Report, such customer concentration is common in the construction industry in Hong Kong. Our Directors are of the view that, despite the customer concentration, our business model is sustainable based on the following factors:

- it is common in the construction industry for a single project to be of a fairly large contract sum and as such a small number of projects and customers may contribute to a substantial amount of our revenue. For FY2017, FY2018, FY2019 and FY2020, we had successfully secured 11, nine, 11 and 16 tenders, respectively. Our Directors

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consider that concentration among our major customers during the Track Record Period was mainly attributable to several sizeable projects, in terms of revenue contribution, undertaken by us;

- most of the major construction contracts that may involve formwork works are granted to the major contractors in Hong Kong as the main contractors. Thus, as subcontractors with a focus on formwork works, our customers are likely to come from the same pool of main contractors;
- throughout the Track Record Period, our Group experienced an increase in projects as well as customers, demonstrating that our Group was neither reliant on any particular project, type of work or customer and remains readily capable of attracting new customers and new opportunities;
- the inclusion of a customer into the top five customers in each year was largely dependent on the revenue generated from particular projects during the year which is determined by the scale and progress of the relevant projects rather than on a particular customer or our relationship with a particular customer;
- the ranking of customers comprising our top five customers differed in each of FY2017, FY2018, FY2019 and FY2020, indicating that our Group did not place substantial reliance on any particular one of them for revenue generation. Meanwhile, our revenue was generated from nine, 10, 12 and 13 customers, respectively, with a growth trend of our customer diversity; and
- the industry experience of our management and our proven track record in handling formwork works projects are beneficial to our major customers to ensure that their projects are executed in accordance with their requirements. According to the Ipsos Report, proven practical industry experience is one of the important competitive factors in the formwork works industry. Our Directors consider that main contractors tend to invite those subcontractors with whom they have prior business relationships in the submission of tenders and, as such, it is common for subcontractors to have high customer concentration.

SALES AND MARKETING

Our Group secures all of our projects through invitations for tenders from customers. Our Directors consider that due to our proven track record and our relationship with our existing customers, we have been able to leverage our existing customer base and our experience in the formwork works industry in Hong Kong such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management. Hence, our marketing activities comprise mainly liaising with existing and potential customers as a part of relationship building and management. We also maintain contact with our customers in order to stay abreast of market and industry developments, and to seek business opportunities.

Pricing strategy

We determine our tender price on a case-by-case basis by adopting a cost-plus pricing model. Under the model, the tender price is determined by our Group's estimation of the overall cost of the whole project plus our Group's markup as the profit to be derived from the project. To estimate our costs in undertaking a project, we will consider factors including the materials and equipment required, manpower required, the time required and the timing of the project.

After estimating our project costs, our Directors will proceed to determine the profit margin in addition to the estimated project costs, taking into account factors including (i) nature, scope and complexity of the work involved; (ii) estimated tender prices of our competitors; (iii) the availability of our manpower and resources; (iv) relationship with the customer; and (v) potential risk.

Our public projects would normally yield our Group higher gross profit margin for our Group as we normally set a higher price when tendering for public sector projects. Our Directors are of the view that (i) public sector projects tend to have stringent requirements and standard for formwork works subcontractors, which subcontractors are often exposed to higher risk and costs in managing public sector projects; and (ii) public sector projects usually have higher administrative and management cost.

There is no assurance that the actual amount of cost would not exceed our cost estimation during the performance of our projects. Our Group's estimation of the overall project cost is based on the works to be done according to the tender document of the potential customer. Therefore, the gross profit margin derived from actual implementation of a completed project may deviate from the estimated profit margin set in the tendering process. Our Directors consider that (i) a project has different work items with different difficulties affected by the work nature, manpower involved and construction materials required. Our tender quotation is prepared by the combination of all the work items required by customers. Our tendering team estimates an average unit rate for each work item, which is generally in line with the relevant market price, and adjusts the unit rates to prepare the total tender price, which meet the pre-set estimated profit margin target determined by our Directors. In general, by applying the single average unit rate to a project, our tendering team will not adopt the same profit margin to each work item due to various conditions, including but not limited to the project difficulty, duration of execution, and labour and construction materials involved in different work items in the project. As a result, the gross profit margin of one item may be different from another item of the same project; and (ii) potential customers usually focus on the total tender price and take less weight on the unit rate of each item of works when determining which subcontractor is to be awarded with the project. According to the Ipsos Report, it is the industry norm that the main contractor has contractual power to add, omit, substitute, alter or modify the design, quality and quantity of the subcontracted works and in general, the subcontractor cannot adjust the agreed

unit price during the project period. In the event that the main contractor cancels relatively more profitable item of works in a project, such project would have a lower profit margin and even incur a loss. During the Track Record Period, we recorded loss from five projects, details of which are set out below:

Project TMB-45

We recorded an overall loss of approximately HK\$2.4 million, representing a gross loss margin of approximately 8.4%, mainly due to the fact that the site location was close to a school and therefore, our construction materials could not be delivered on time due to the congested street conditions caused by the daily activities of the school and our possible length of working hours was shorter than normal ones.

Project TMB-47

We recorded an overall loss of approximately HK\$0.7 million, representing a gross loss margin of approximately 5.1%, mainly due to the cancellation of our site works for non-structural walls as a result of the fact that the customer adopting an alternative method of bricklaying in order to meet its tight completion deadline, our Directors consider that such works were profitable items to this project, with the contract value of approximately HK\$1.2 million. According to Ipsos, carrying out site works for non-structural walls is profitable because (i) it is easy to assemble and dismantle; (ii) it has relatively shorter execution time than structural walls; and (iii) it incurs lower labour cost. Our Directors consider that (i) the remaining works were more difficult to implement than the works for non-structural walls and exposed the risks to cost overrun; (ii) the costs incurred by our Group was not recoverable or reimbursed by the customer and such cancellation caused an overall loss of the project.

Project TMB-49

We recorded an overall loss of approximately HK\$2.8 million, representing a gross loss margin of approximately 5.0%, mainly due to the cancellation of our site works for non-structural walls as a result of the fact that the customer adopting an alternative method of bricklaying in order to meet its tight completion deadline, our Directors consider that such works were profitable items to this project, with the contract value of approximately HK\$10.0 million. According to Ipsos, carrying out site works for non-structural walls is profitable because it (i) is easy to assemble and dismantle; (ii) has relatively shorter execution time than structural walls; and (iii) incurs lower labour cost. Our Directors consider that (i) the remaining works were more difficult to implement than the works for non-structural walls and exposed the risks to cost overrun; (ii) the costs incurred by our Group was not recoverable or reimbursed by the customer and such cancellation caused an overall loss of the project.

Project TMB-72

We recorded an overall loss of approximately HK\$1.0 million, representing a gross loss margin of approximately 39.3%. Unlike other projects undertaken by us during the Track Record Period, the project scope of Project TMB-72 mainly involved foundation works and lift shaft, which we did not handle the similar project before. Our Directors confirmed that we secured this small-size project with the original contract sum of approximately HK\$2.5 million as a trial to study the possibility of opportunity for expanding our scope of services in the future. Although we had already marked up a relatively higher contract rate for our works than our other projects, the unexpected site conditions and project costs caused the loss of the project.

Project TMB-79

We recorded an overall loss of approximately HK\$0.3 million, representing a gross loss margin of approximately 48.3%. Project TMB-79, with the original contract sum of approximately HK\$0.4 million, involved the foundation works which was similar to the reason abovementioned in Project TMB-72 that we did not handle the similar project before. Although we had already marked up a relatively higher contract rate for our works than our other projects, the unexpected site conditions and project costs caused the loss of the project.

Credit policy

We generally grant our customers a credit period within 35 days from the date of issuance of our payment application. Our trade receivable turnover days were approximately 8.7 days, 4.5 days, 6.9 days and 63.0 days for FY2017, FY2018, FY2019 and FY2020, respectively. Further details on our trade receivable turnover days are set out in the paragraph headed “Financial information – Description of selected items of combined statements of financial position – Trade receivables turnover days” in this prospectus.

Our Group recognised loss allowances on trade receivables of approximately HK\$4.4 million, HK\$4.4 million, HK\$4.4 million and HK\$5.5 million as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020. Our Directors measure the allowance for losses having regard to our relationship with our customers, a customer’s historical payment record and the project status.

Seasonality

Our Directors are of the view that there is no obvious seasonality factor that would adversely affect our business operation.

MARKET AND COMPETITION

According to the Ipsos Report, due to increasing demand for residential as well as commercial buildings, coupled with the Government's initiatives to increase housing supply in Hong Kong, the gross output value of the formwork works industry in Hong Kong increased from HK\$3,381.8 million in 2013 to HK\$5,706.6 million in 2019, at a CAGR of 9.1%. Over the forecast period, the gross output value is expected to increase from approximately HK\$5,711.7 million in 2020 to approximately HK\$5,968.7 million in 2023. With the fall-off of public expenditure on infrastructure and the slowdown of the growth of overall construction and building construction works industries, the formwork works industry is forecasted to grow at a slower rate at a CAGR of approximately 1.5% from 2020 to 2023. The expected slower growth of the formwork works industry is partially due to the slow down of the growing labour costs in the industry, which in turn, might lead to a moderate growth to the contract value of construction projects. In addition, the outbreak of COVID-19 is expected to slow down the formwork works industry from 2020 to 2021. Nevertheless, the gross output value is supported by the upcoming development plans and existing construction projects. With increasing demand for housing units and according to the 2016 Policy Address, the Government has taken initiatives to increase housing supply in recent years and will continue to increase land usage for commercial and economic activity. The Government's initiative to increase residential as well as commercial buildings will fuel the building construction industry growth, which in turn will drive formwork works industry in Hong Kong.

As of September 2020, according to Construction Industry Council, there were 864 contractors on the list of registered contractors under "Concreting Formworks" category. The Ipsos Report concludes that the formwork works industry is relatively fragmented in Hong Kong. According to the Ipsos Report, reputation and proven industry experience and track record have been the major entry barriers to this industry, while labour shortage and an ageing workforce threatens the development of the formwork works industry in Hong Kong. For further details on the formwork works industry in Hong Kong, please refer to the section headed "Industry overview" in this prospectus.

Our Directors believe that our competitive strengths will enable us to maintain our position as one of the active market players in our business segments in the formwork works industry in Hong Kong. Details of our Group's competitive strengths are set out in the paragraph headed "Competitive strengths" in this section.

OUR SUPPLIERS

Our suppliers may be largely categorised as: (i) suppliers of construction materials; (ii) subcontracting services; (iii) metal scaffold equipment rental suppliers; and (iv) transportation service providers. We purchase aluminium formworks from construction materials suppliers who manufacture or source the aluminium formworks based on the specifications we provided. We generally order construction materials and services from time to time and we did not enter into any long-term contract with our suppliers. Unless otherwise stated in our agreement with the customer, we usually provide construction materials for our projects. As we are provided with

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the standard requirements of the materials and we are liable for the quality of our project, as subcontractor, we are able to choose our own suppliers for our projects.

The following table sets out a breakdown of our total purchases by type during the Track Record Period:

	FY2017		FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Construction materials	40,603	58.7	51,013	75.4	36,015	68.2	77,392	64.8
Subcontracting charges	16,086	23.2	5,193	7.7	6,305	11.9	31,723	26.6
Metal scaffold equipment rental	8,540	12.3	7,718	11.4	5,723	10.8	5,160	4.3
Transportation	3,581	5.2	3,421	5.1	4,356	8.3	4,139	3.5
Repairs and maintenance of our equipment and cleaning expenses	397	0.6	272	0.4	398	0.8	1,030	0.8
Total	69,207	100.0	67,617	100.0	52,797	100.0	119,444	100.0

Please refer to the section headed “Financial information” in this prospectus for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as relevant sensitivity analyses in this connection.

Basis of selecting suppliers

We evaluate suppliers taking into account their pricing, suitability of their goods, environmental compliance or services, reputation and amount of past business within the industry and their track record as our supplier. Based on these factors, we select and maintain an internal list of approved suppliers and such list is updated on a continuous basis. As at the Latest Practicable Date, there were over 30 approved suppliers on our internal list. Our Directors consider that we have a broad supplier base and are flexible to engage alternative suppliers to supply different kinds of construction materials and services.

When certain material or services are required for a particular project, we select suppliers from our list based on their suitability as well as their availability and fee quotations.

During the Track Record Period, we did not experience any material shortages or delays in the supply of goods or services that we required. For the discussion on the historical price fluctuation of the main types of goods and services that we require, please refer to the section “Industry overview” in this prospectus. Our Directors consider that we are generally unable to pass on substantial increase in purchase costs, if any, to our customers as we generally take into account our overall costs for undertaking a project when determining our pricing.

Principal terms of engagement of suppliers

Generally, quotations from our suppliers of construction materials contain terms relating to the unit price, type and specifications of the materials, payment terms and delivery. For our material purchases and rental of metal scaffold equipment, we place orders directly to the suppliers, suppliers will then issue invoices to us. The credit terms offered to us are generally up to 90 days.

Reasons for subcontracting

During the Track Record Period, we mainly engaged our own site workers to carry out the formwork works which enabled us to maintain a better project management and quality control, especially under tight project deadlines. However, subject to the project schedule and our available manpower, we may engage subcontractors to carry out some of the site works under the close supervision and management of our project management team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specification and those projects are completed on time and within budget.

During the Track Record Period, our subcontractors include construction companies and individuals. In maintaining our pool of subcontractors, we will consider the cost of engagement of such subcontractors, their qualifications, experience and track record as our subcontractors.

The works we subcontracted to our subcontractors are generally labour intensive, including works such as the erecting and striking of formwork structures. For FY2017, FY2018, FY2019 and FY2020, our Group's subcontracting charges amounted to approximately HK\$16.1 million, HK\$5.2 million, HK\$6.3 million and HK\$31.7 million, representing approximately 4.2%, 1.4%, 1.5% and 8.9% of our Group's total cost of services, respectively.

Principal terms of engagements of subcontractors

We engage subcontractors on an as-required basis to meet project schedules and to make up for any shortages of site workers to meet our project requirements. As such, we do not enter into long-term contracts with our subcontractors. Our arrangements with subcontractors will address (i) an agreed price based on a daily wage of each worker assigned by the subcontractor plus an incentive fee which is determined by referring to the additional works done by the subcontractor; (ii) a scope of work usually consisting of erecting and striking formwork structures; (iii) the location of the work site; and (iv) payment details and any other miscellaneous job arrangements.

Our major suppliers

For FY2017, FY2018, FY2019 and FY2020, our Group's purchases from its largest supplier was approximately 24.7%, 31.8%, 29.6% and 39.1% of our purchase costs, respectively, while our purchases from the five largest suppliers accounted for approximately 61.6%, 76.3%, 72.2% and 78.7% of our purchase costs, respectively.

BUSINESS

FY2017

Rank	Supplier	Background of the supplier	Type of purchase from supplier	Credit terms and payment method	Approximate years of business relationship <i>year(s)</i>	Amount of purchase cost <i>HK\$'000</i>	% of the total purchase cost <i>%</i>
1	Supplier A	Supplier of formwork products	Plywood and film faced plywood	30 days; cheque	7	17,067	24.7
2	Supplier B	Supplier of timber material products	Timber	90 days; cheque	11	8,019	11.6
3	Hop Chung Scaffolding Company Limited	Supplier of scaffolding materials	Rental of metal scaffold equipment	30 days; cheque	11	7,952	11.5
4	Supplier D	Supplier of steel plate products	Steel plate	90 days; cheque	11	5,460	7.9
5	Supplier E	Subcontractor	Formwork works	30 days; cheque	4	4,063	5.9
Five largest suppliers combined						42,561	61.6
All other suppliers						26,646	38.4
Total purchase cost						<u>69,207</u>	<u>100.0</u>

BUSINESS

FY2018

Rank	Supplier	Background of the supplier	Type of purchase from supplier	Credit terms and payment method	Approximate years of business relationship <i>year(s)</i>	Amount of purchase cost <i>HK\$'000</i>	% of the total purchase cost <i>%</i>
1	Supplier A	Supplier of formwork products	Plywood and film faced plywood	30 days; cheque	7	21,509	31.8
2	Supplier B	Supplier of timber material products	Timber	90 days; cheque	11	13,329	19.7
3	Hop Chung Scaffolding Company Limited	Supplier of scaffolding materials	Rental of metal scaffold equipment	30 days; cheque	11	7,119	10.6
4	Supplier D	Supplier of steel plate products	Steel plate	90 days; cheque	11	6,678	9.9
5	Supplier F	Supplier of crane transportation services	Transportation services	30 days; cheque	6	2,926	4.3
Five largest suppliers combined						51,561	76.3
All other suppliers						16,056	23.7
Total purchase cost						<u>67,617</u>	<u>100.0</u>

BUSINESS

FY2019

Rank	Supplier	Background of the supplier	Type of purchase from supplier	Credit terms and payment method	Approximate years of business relationship <i>year(s)</i>	Amount of purchase cost <i>HK\$'000</i>	% of the total purchase cost <i>%</i>
1	Supplier A	Supplier of formwork products	Plywood and film faced plywood	30 days; cheque	7	15,629	29.6
2	Supplier B	Supplier of timber material products	Timber	90 days; cheque	11	8,504	16.1
3	Hop Chung Scaffolding Company Limited	Supplier of scaffolding materials	Rental of metal scaffold equipment	30 days; cheque	11	5,471	10.4
4	Supplier F	Supplier of crane transportation services	Transportation services	30 days; cheque	6	4,325	8.2
5	Supplier D	Supplier of steel plate products	Steel plate	90 days; cheque	11	4,172	7.9
Five largest suppliers combined						38,101	72.2
All other suppliers						14,696	27.8
Total purchase cost						<u>52,797</u>	<u>100.0</u>

BUSINESS

FY2020

Rank	Supplier	Background of the supplier	Type of purchase from supplier	Credit terms and payment method	Approximate years of business relationship <i>year(s)</i>	Amount of purchase cost <i>HK\$'000</i>	% of the total purchase cost <i>%</i>
1	Supplier A	Supplier of formwork products	Plywood and film faced plywood	60 days; cheque	7	46,703	39.1
2	Supplier G	Subcontractor	Formwork works	7 days after issuance of payment certificate	1	18,026	15.1
3	Supplier B	Supplier of timber material products	Timber	90 days; cheque	11	14,124	11.8
4	Supplier H	Subcontractor	Formwork works	7 days after issuance of payment certificate	1	8,697	7.3
5	Supplier I	Supplier of metalware	Metalware	45 days; cheque	1	6,449	5.4
Five largest suppliers combined						93,999	78.7
All other suppliers						25,445	21.3
Total purchase cost						<u>119,444</u>	<u>100.0</u>

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the total number of issued Shares as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period.

Supplier concentration

During the Track Record Period, our Group's purchases from its largest supplier were 24.7%, 31.8%, 29.6% and 39.1% of our purchase cost, respectively, while our purchases from the five largest suppliers accounted for approximately 61.6%, 76.3%, 72.2% and 78.7% of our purchase cost, respectively. Further, as few suppliers are able to meet our delivery requirements, we tend to make purchases from suppliers who are able to cater to our needs before considering other suppliers.

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Notwithstanding the fact that our five largest suppliers in each year accounted for a significant portion of supplies to our Group during the Track Record Period, our Directors consider that our Group is not reliant on any single supplier because:

- our Group does not enter into any long-term supply arrangement with our suppliers. Instead, our Group generally places purchase orders with our suppliers on an order-by-order basis. Our Directors consider that this practice is in line with the industry norm and our Group will be able to maintain flexibility in supplier selection as a result;
- we maintain a pool of approved suppliers with multiple suppliers being able to supply us with the requisite construction materials such that where one supplier is unable to meet our order or delivery requirements, we can swiftly acquire the construction materials from another supplier;
- we receive regular updates from our suppliers in relation to their products and product prices such that we are ready to swift between suppliers where it would be feasible to do so; and
- it is our Group’s business strategy to source from those suppliers who could provide a steady supply of products to our Group at reasonable prices and with quality assurance.

MACHINERY

Generally, our customers will provide us with machinery, such as tower cranes and material hoist, required in the works. As such, during the Track Record Period and up to the Latest Practicable Date, our Group did not own any machinery.

INVENTORY

The construction materials are purchased on an order-by-order basis and then consumed in our various construction sites. Therefore, our Group normally do not maintain excessive inventory of construction materials. Our Directors are of the view that the amount of construction materials stored at our warehouse and construction sites as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020 was insignificant to our Group and accounted as direct costs in the combined statements of profit or loss and other comprehensive income of our Group.

QUALITY ASSURANCE**Quality control on our services**

Our project managers of each construction site are responsible for monitoring the quality of the works undertaken by us. Our project management team and our executive Directors are responsible for inspecting most of the work stream. We have to ensure our employees or approved subcontractors understand and incorporate the requirements and skill into their processes for facilitating the examination on whether the progress is in line with the construction programme and required standards. Further, interim completed process inspections are crucial in securing the quality of the formwork works projects before proceeding to the final work stage and inviting our customers to do the final inspection. We also have the responsibility to identify and rectify defects and will arrange additional resources to expedite progress of necessary and to ensure that the works comply with all relevant regulatory requirements. Our comprehensive procedures and guidelines allow us to maintain control over the quality of the works.

Quality control on construction materials

With regard to construction materials, we generally procure construction materials from the list of our approved suppliers with whom we have satisfactory past business relationships for supply of quality construction materials. We will assess the suitability of our suppliers based on their timeliness, the quality of their construction materials, pricing and services. Please refer to the paragraph headed “Our suppliers – Basis of selecting suppliers” in this section for the details of our approved list of suppliers.

In order to provide a satisfactory and high-quality standards formwork works projects to preserve our reputation, meet or exceed the requirements of the contract documents and ensure the flow of construction is not interrupted or impeded, our Group puts strong emphasis on maintaining controls over the quality and receiving functions needed for the formwork works projects. Our project management team is responsible to count and reconcile the construction materials received against the delivery note and inspect the quality of construction materials upon receipt. When defective parts are found, we will negotiate with the supplier for return or exchange according to the required delivery schedule and minimise the possible influence on the formwork works projects.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has not received any complaint or material claim for compensation from our customers due to quality issue in relation to works performed by our Group or by our subcontractors.

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OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety and provide safety training to our staff covering topics such as our safety measures. Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. As such, we have established a safety management system, which is certified to be compliance with ISO 45001 standards, in order to provide our employees with a safe and healthy working environment. We have also engaged external safety auditors to conduct safety audit on our safety management system in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations.

In practice, we prepare a safety plan for each project, which is conveyed to our employees before commencement of works. The purpose of the safety plan is to (i) assess and identify risks associated with the works and environments associated with each project; and (ii) formulate appropriate measures and works procedures for implementation. As at the Latest Practicable Date, we had a registered safety officer to closely monitor our employees following established safety policies and regulations to carry out construction works. Our safety officer also conducts regular site safety inspection and provide safety training to our employees. If there is any work-related accident occurred, our safety officer is also responsible to conduct accident investigation and report to our executive Directors and customers.

Our safety record during Track Record Period

During the Track Record Period and up to the Latest Practicable Date, there were a total number of 36 reported personal injury accidents and one fatal accident which involved our employees and our subcontractors on our construction sites in the ordinary course of our business. The table below sets forth the number of personal injury and fatal accidents during the Track Record Period and up to the Latest Practicable Date:

	Number of reported personal injury accidents	Number of fatal accident(s)
For the year ended 31 March 2017	9	Nil
For the year ended 31 March 2018	11	Nil
For the year ended 31 March 2019	12	Nil
For the year ended 31 March 2020	4	1
From 1 April 2020 to the Latest Practicable Date	Nil	Nil
	<hr/>	<hr/>
Total	<u>36</u>	<u>1</u>

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Nature of the reported accidents

The table below sets out the nature of accidents in relation to the aforesaid 34 reported personal injury accidents:

Nature of accidents	Number of accidents
Slipped and fell	10
Struck by object	9
Contact with machinery or object	7
Injured when lifting or carrying	6
Others	4
	<hr/>
Total	<u>36</u>

During the Track Record Period and up to the Latest Practicable Date, our customers, being the relevant main contractors, had taken out insurance to cover the liabilities in respect of the workers engaged in our projects under the Employers' Compensation Ordinance as well as under the common law for injuries at work. As such, our Directors consider that these incidents did not and are not expected to have a material adverse effect on the operations of our Group.

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 rates in Hong Kong:

	Construction industry average rate <i>(Note 1)</i>	Our Group's rate <i>(Note 2)</i>
From 1 January 2016 to 31 December 2016		
Accident rate per 1,000 workers	34.5	27.2
Fatality rate per 1,000 workers	0.093	Nil
From 1 January 2017 to 31 December 2017		
Accident rate per 1,000 workers	32.9	26.5
Fatality rate per 1,000 workers	0.185	Nil
From 1 January 2018 to 31 December 2018		
Accident rate per 1,000 workers	31.7	29.1
Fatality rate per 1,000 workers	0.125	Nil

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	Construction industry average rate <i>(Note 1)</i>	Our Group's rate <i>(Note 2)</i>
From 1 January 2019 to 31 December 2019		
Accident rate per 1,000 workers	29.0	15.6
Fatality rate per 1,000 workers	0.157	3.9

Notes:

1. The industry average rate for the years of 2016, 2017, 2018 and 2019 is extracted from the Occupational Safety and health Statistics Bulletin Issue No. 20 (August 2020) 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 calendar year divided by the average number of site workers during the same calendar year and multiply the result by 1,000. The number of site workers includes our workers and workers arranged by our subcontracted workers.

A table is set out below showing our Group's lost-time injuries frequency rates ("LTIFR(s)"):

From 1 January 2016 to 31 December 2016	8.2
From 1 January 2017 to 31 December 2017	8.1
From 1 January 2018 to 31 December 2018	8.9
From 1 January 2019 to 31 December 2019	5.9

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the number of working hours of each worker is nine hours per day. The number of working days for the years of 2016, 2017, 2018 and 2019 were 295 days, 293 days, 295 days and 295 days, respectively.
2. Our Directors and Ipsos confirmed that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong.

Of the accidents listed above, one accident involved a fatality which happened on 16 April 2019. For details of the fatal accident, please refer to the paragraph headed "Fatal accident" in this section.

Hygienic working environment

In view of the outbreak of COVID-19 in Hong Kong, our Group had adopted a contingency plan for pandemic outbreak in January 2020 to protect our workers from the outbreaks of infectious diseases.

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Under our contingency plan for pandemic outbreak, our project management team shall take all preventive measures in our construction sites to maintain a hygienic working environment in the interest of all personnel who may be present including our employees, subcontractors, visitors and members of the public. Such preventive measures include, but not limited to, the followings:

- Temperature screening at entry of construction sites
- Hand sanitising
- Personal protection control (respiratory protection)
- Environmental disinfection to all potentially contaminated surfaces or items

Accordingly, all staff and our subcontractors are required to familiarise themselves with requirements of our contingency plan for pandemic outbreak and ensure that all the workers under their supervision fully comply with the requirements. We will provide training to our workers on the proper use of the personal protective equipment (if applicable) and supervisors will check whether such equipment are functional and clean, and workers are using them correctly. As at the Latest Practicable Date, we did not record any employees/workers failed to report duty due to the infection of COVID-19.

ENVIRONMENTAL AND SOCIAL MATTERS

Governance on environmental-related risks and social responsibilities, including the respective roles and extent of involvement of our Directors and senior management of our Group

Our Group acknowledges its responsibility on environmental protection and social responsibilities and is committed to comply with the environmental, social and governance (“ESG”) reporting requirements upon Listing. We have established an ESG policy (the “**ESG Policy**”) which outlined, among others, (i) the appropriate risk governance on ESG matters; (ii) ESG strategy formation procedures; (iii) ESG risk management and monitoring; and (iv) the identification of key performance indicators (“**KPIs**”) and the relevant measurements. Our Group’s ESG Policy was established in accordance with the standards of Appendix 27 to the Listing Rules.

The Board has the overall responsibility for evaluating and determining our Group’s ESG-related risks, and establishing, adopting and reviewing the ESG vision, policy and target of our Group. The Board has established the ESG Committee to support it in implementing the ESG policy and collecting ESG data from different parties while preparing for the ESG report. It serves as a supportive role and has to report to the Board regularly and to oversee and monitor in implementing measures to address our Group’s ESG-related risks and responsibilities. The ESG Committee comprises the senior management, which supports the Board in implementing the ESG policies and to ensure that the ESG targets, strategies and policies agreed by the Board

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are effectively implemented. For further details and composition of the ESG Committee, please refer to the section headed “Directors and senior management – Board committees – ESG Committee” in this prospectus.

Actual and potential impact of environmental risks on our Group’s businesses, strategies and financial performance

Our operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. For details of the regulatory requirements, please refer to the section headed “Regulatory overview” in this prospectus.

Our Group is committed to environmental protection by conducting our business in an environmentally responsible manner. We usually establish an environmental management system throughout the duration of the projects. The system serves to provide a framework for action and for the setting of the environmental objectives and targets. The system includes, among other things, air pollution and emission, noise control, water pollution discharges, and waste disposal to ensure our Group complies with the statutory obligations at all times.

During the Track Record Period and up to the Latest Practicable Date, we had acted as a subcontractor of construction projects. As at the Latest Practicable Date, we were not aware of any actual environmental risks that could negatively impact our Group’s businesses, strategies and financial performances. To the best knowledge and belief of our Directors, there is no material non-compliance or violations of environmental protection laws and regulations currently exist or persist that could materially and adversely affect our business operations and financial conditions. The relevant laws and regulations that should be abide by our Group are detailed below:

Environmental risks/requirements

Impact and consequence on our Group

(i) Air pollution and emissions

Non-compliance with the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) by the contractor can attract fines ranging from HK\$100,000 to HK\$500,000 and six to 12 months imprisonment. In addition, under section 47A of this ordinance, the company’s director, manager, secretary or other person concerned in the management is also held liable for the offence committed by the company if the offence is committed with the consent or connivance of, or is attributed to the negligence or omission of the person.

Environmental risks/requirements**Impact and consequence on our Group**

Whereas non-compliance with the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) can attract a fine of HK\$25,000 or HK\$50,000 for a first offence and a fine of HK\$50,000 or HK\$100,000, and three months imprisonment for a second or subsequent offence.

Non-compliance with the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) for the emission of dust from any buildings under construction or demolition in such manner as to constitute a nuisance can attract a fine of up to HK\$10,000 upon conviction.

(ii) Noise control

Non-compliance with the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) and its subsidiary regulations by the contractor shall be liable to a fine of HK\$100,000 on first conviction and to a fine of HK\$200,000 on a second or subsequent conviction(s), and in any case to a fine of HK\$20,000 for each day during which the offence continues.

(iii) Water pollution and discharges

According to Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), unless licensed under this ordinance, a person who discharges any waste or polluting matter into the waters or discharges any matter other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (i) for a first offence, a fine of HK\$200,000; (ii) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

**Environmental
risks/requirements**

Impact and consequence on our Group

Non-compliance with the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) for the discharge of water waste from a construction site shall be liable to a fine of up to HK\$50,000 upon conviction. Non-compliance with this ordinance for any accumulation of stagnant water on any premises found to contain mosquito larvae or pupae is liable to a fine of up to HK\$25,000 and with a daily fine of HK\$450.

(iv) Waste disposal

Under the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), 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 to imprisonment for six months for the first offence, and to a fine of HK\$500,000 and to imprisonment for two years for a second or subsequent offence.

Under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong), any accumulation of refuse which constitutes a nuisance or becomes hazardous to health is liable to a fine of up to HK\$10,000 upon conviction and with a daily fine of HK\$200.

(v) Environmental Impact
assessment

Pursuant to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part 1 of Schedule 2 to this ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommission a designated project listed in Part II of Schedule 2 to this ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit.

Environmental risks/requirements**Impact and consequence on our Group**

The offender is liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (iii) on a first summary conviction to a fine of HK\$100,000 and to imprisonment for six months; and (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

For details of relevant environmental regulations, please refer to the section headed “Regulatory overview – Environmental protection” in this prospectus.

If our Group breaches any environmental law and regulations, or faces any accusation of negligence in environmental protection, it will adversely affect the reputation of our Group and hence our creditability. It may affect our business performances and reduce the competitiveness of our Group to new investors. Our business opportunities may also be negatively impacted, for instance, when tendering for a contract, our Group may be disadvantaged by the reputational damage and loss of creditability, as the tenderer may be less willing to grant the construction project to our Group. To uphold sustainability values, our Group has integrated all environmental and social considerations into our businesses, we only source Forest Stewardship Council (“FSC”) certified plywood and timber from various local suppliers in Hong Kong, as they are woods from FSC certified forests, in which FSC helps achieve sustainable forest management in the world.

Save for foregoing and up to the Latest Practicable Date, our Directors were not aware of any actual environmental risks that could negatively impact our Group’s businesses, strategies and financial performance.

Environmental-related risks and social sustainability risks identification, assessment and management

Our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by us in our business, including, but not limited to the risks arising from the ESG aspects. The Board will assess or engage independent third part(ies) to evaluate the risks and review our Group’s existing strategy, target and internal controls, necessary improvement will be implemented to mitigate the risks.

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In order to manage the environmental-related risks and social sustainability risks, the Board has adopted the measures which are specified in our ESG Policy to tackle the risks identified during the enterprise risk assessment and has ensured that any potential risks inherent in our business operations are minimised.

(i) Target setting and monitoring

As at the Latest Practicable Date, our Group had identified the following material environmental KPIs during our business operation:

- (i) greenhouse gas emission arising from the use of electricity, water and paper;
- (ii) non-hazardous wastes, mainly the plywood and timber wastes; and
- (iii) use of resources, mainly plywood and timber as well as metal.

The Board will set targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirement of Appendix 27 to the Listing Rules and other relevant rules and regulations upon Listing. The relevant ESG targets on material KPIs will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group.

Our Group has adopted/will adopt the following polices in order to mitigate the emissions/greenhouse gas produced:

- use of FSC certified wood to ensure that the wood usage meet all applicable environmental protection and social responsibility requirements;
- spray water on the surface of dusty material before, during and after excavation;
- wash vehicle to remove any dusty materials before leaving a site;
- electronic equipment with Grade 1 energy efficiency labelling is preferred when acquisition requisition is made;
- electronic devices currently in use will be sent for maintenance according to the actual needs to ensure their proper operation and to prevent any waste of electricity due to faulty operation;
- air-conditioners are permitted to be switched on only when the air temperature is above 28-degree Celsius and should be turned off 30 minutes before the office closes;
- clean the air filter of air conditioner regularly to prevent dust from accumulating and reducing its cooling performance;
- switch off all electronic equipment/mobile machinery when it is not in operation; and

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- turn off lighting facilities during lunch time, and the last employee who leaves the office must ensure that all lights are switched off.

On the other hand, measures to reduce the water usage has been/will be adopted:

- prohibit any wastage of water;
- inspect and identify any water leakage, breakage or other potential damage of water pipes regularly;
- check meter reading constantly to prevent any hidden leakage;
- purchase detergents which are non-phosphorus, low-toxic, and less polluting;
- the principle of “on when in use, off when not in use” is required for water usage in toilets;
- post promotional posters and cards in prominent areas of the workplace to remind employees of saving water; and
- promote water-saving education and ideas continuously among our employees.

To reduce the wastage, our Group has adopted/will adopt the following measures:

- reuse and recycle materials whenever applicable; and
- seek new materials that are more environmental-friendly to replace plywood, where appropriate.

The ESG Committee monitors the ESG performance of our Group and reports to the Board on a quarterly basis. The Board oversees the performance of our Group in achieving ESG targets and objectives. The ESG Committee will investigate the reasons for deviation and the Board will revise our ESG strategy as appropriate when significant variance from the target is identified.

As at the Latest Practicable Date, Temmex was accredited with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, which awarded recognition on its effective quality management system, environmental management system and occupational health and safety management system. Temmex would maintain its effective internal control system on both environmental and social areas to meet the ISO standard.

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We did not incur any material costs in complying with environmental requirements during the Track Record Period, nor did we record any non-compliance with applicable environmental requirements that resulted in prosecution, conviction or penalty being brought against us during the Track Record Period and up to the Latest Practicable Date.

OUR INSURANCE

Our Directors confirmed that our formwork works projects were covered and protected by the employees' compensation insurance and contractor's all risks insurance taken out by the main contractor for the entire construction project. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site, and works performed by them in the relevant construction site.

Details of the employees' compensation insurance and contractor's all risks are as follow:

(i) Employees' compensation insurance

Our customers, as main contractors, maintain insurance coverage for the liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage of HK\$100 million on a per incident basis. We consider such insurance coverage being generally sufficient for the liabilities under employees' compensation claims and personal injuries actions.

(ii) Contractor's all risk insurance

Our customers are also responsible for purchasing the contractor's all risk insurance policies covering the liabilities of main contractors and subcontractors of all tiers arising out of the performance of the subcontracted works. Such insurance policies generally extend throughout the entire period of a contract, including the defects liability period following completion of the project.

In addition, we have secured insurance coverage against general office risks including loss of or damage to office contents occurring on our office premises. We have also secured insurance coverage for back office staff.

For FY2017, FY2018, FY2019 and FY2020, our total insurance expenses amounted to approximately HK\$110,000, HK\$108,000, HK\$102,000 and HK\$154,000, respectively. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm regarding our current scope of operations. During the Track Record Period and up to the Latest Practicable Date, we had not made, or been the subject of, any material insurance claim.

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OUR EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had 590 employees (including our four executive Directors, one non-executive Director and four independent non-executive Directors) who were directly employed by our Group. The following table sets out the breakdown of our employees by function:

Function	Number of employees as at				The Latest Practicable Date
	2017	31 March 2018	2019	2020	
Directors	3	4	4	6	9
Project management	15	15	13	13	15
Quantity surveying	2	4	4	4	6
Safety	6	6	7	7	7
Finance, human resources and administration	2	2	4	7	7
Site workers	803	1,016	798	761	546
Total	831	1,047	830	798	590

We experienced a decrease in the number of site workers from 761 as at 31 March 2020 to 546 as at the Latest Practicable Date. Such decrease was mainly due to the fact that (i) relatively higher amount of works for most of the sizeable projects, such as Project TMB-75 and Project TMB-87 with an aggregate original contract sum of approximately HK\$137.2 million, were undertaken and contributed the respective revenue substantially in FY2020; and (ii) there were five projects on hand, with an aggregate original contract sum of approximately HK\$425.2 million, awarded to us but not yet commenced the site works as at the Latest Practicable Date. To facilitate the manpower allocation and reduce the idle site workers, we only kept a limited number of site workers to handle the on-going projects to maintain our profitability.

Relationship with our employees

Our Directors believe our employees are valuable assets to our business and we have maintained good relationship with our employees. We have not experienced any significant problems with our employees or any material disruptions to our operations due to labour disputes nor had we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and up to the Latest Practicable Date.

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Training and recruitment policies

We generally recruit our employees from referral and recruitment advertisements. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve us. We provide various trainings, including those on occupation health and work safety, first aid, scaffolding and induction training to our employees to improve their technical competence and knowledge of construction regulatory requirements. Our safety team gives safety talks regularly to our employees on selected topics such as safety issues in relation to welding works.

Remuneration policy

We enter into separate labour contracts with each of our employees in accordance with the applicable labour law in Hong Kong. The remuneration package we offer to our employees includes salary and discretionary bonus. We generally determine employee salaries based on each employee's qualification, experience, capability and the prevailing market remuneration rate and we intend to maintain our remuneration package competitive in order to attract and retain talented labour. The wages of site workers may also be determined with reference to prevailing market rates.

OUR PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties for the purpose of our business operations:

Address	Approximate gross floor area <i>(Note)</i>	Use of the property	Key terms of tenancy
Flat/Rm. 1101, 11/F, Yuen Long Centre, No.51-59 Sau Fu Street, Yuen Long, New Territories	330 sq. ft.	Office	Monthly rental of HK\$8,900 plus monthly management fee of HK\$1,235 with tenancy period from 25 December 2019 to 24 December 2021
Flat/Rm. 1109, 11/F, Yuen Long Centre, No.51-59 Sau Fu Street, Yuen Long, New Territories	420 sq. ft.	Office	Monthly rental of HK\$10,000 plus monthly management fee of HK\$1,350 with tenancy period from 8 August 2019 to 7 August 2021

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Address	Approximate gross floor area <i>(Note)</i>	Use of the property	Key terms of tenancy
Lot No. 1195 in D.D.119	1,863 sq. m.	Warehouse and storage	Monthly rental of HK\$40,000 with tenancy period from 1 September 2019 to 31 August 2022
Lot No. 1196 in D.D.119	200 sq. m.	Easement	Monthly rental of HK\$10,000 with a tenancy period from 1 November 2019 to 31 October 2021

Note: The approximate gross floor area is provided by real estate agent or is based on our Directors' best estimation.

Save for the property situated at Lot No. 1195 in D.D.119 off Kung Um Road, Yuen Long, New Territories, Hong Kong, our Directors confirm that we leased the above properties from independent third parties. For details of the tenancy agreement with the connected persons, please refer to the section headed "Relationship with our Controlling Shareholders – Transaction entered into before Listing which would otherwise constitute a connected transaction" in this prospectus.

OUR INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have applied for a trademark in Hong Kong and registered for domain names. For further details of our intellectual property rights, please refer to the paragraph headed "C. Intellectual property rights of our Group" in Appendix IV to this prospectus.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

Customer concentration risk

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

Supplier concentration risk

Please refer to the paragraph headed “Our suppliers – Supplier concentration” in this section.

Risk of potential inaccurate cost estimation and cost overrun

Please refer to the paragraph headed “Sales and marketing – Pricing strategy” in this section.

Quality control risk

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

Occupational health and safety risk

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

Environmental compliance risk

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

Financial risk

During our business operation, we are generally exposed to financial risks including credit risk and liquidity risk. For our financial risk management, please refer to the Note 28 in the Accountants’ Report in Appendix I to this prospectus.

Regulatory risk management

Corporate governance measures

We will comply with the CG Code. We have established five board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the Compliance Committee and the ESG Committee, with respective terms of reference in compliance with the CG Code. In particular, one of the primary duties of our Audit Committee is to review the effectiveness of our internal audit activities, internal controls and risk management systems. For further details of the five board committees, please refer to the section headed “Directors and senior management – Board committees” in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the CG Code every financial year.

Risk management relating to compliance with the Listing Rules after Listing

In order to ensure continuous compliance with the Listing Rules after Listing, our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange. We have also appointed Alliance Capital Partners Limited as our compliance adviser to advise us on compliance issue.

After Listing, our Compliance Committee will be responsible for overseeing our compliance issues. When considered necessary and appropriate, we will also seek professional advice and assistance from independent professional advisers with regards to matters relating to our legal compliance.

FATAL ACCIDENT

On 16 April 2019, a fatal accident occurred at the site of the proposed residential development at T.P.T.L. 214, Fo Yin Road, Pak Shek Kok, New Territories (the “**Pak Shek Kok Site**”), at which Temmex Brothers was engaged as a subcontractor for the provision of labour, materials, hand tools and equipment for formwork works services. One worker, being an employee of our Group, sustained a fatal injury during the course of work. It was suspected that the formwork inside the Lift Shafts (as defined below) had collapsed and fallen on the worker which resulted in a fatal injury at the Pak Shek Kok Site (the “**Accident**”).

After the occurrence of the Accident, our Group had followed the proper procedures including making necessary submission to the Labour Department, communicating with the main contractor and notifying the relevant insurer. In light of the Accident, the Labour Department issued a temporary suspension notice in accordance with the Occupational Safety and Health Ordinance to our Group on 17 April 2019 (as amended on 18 April 2019) (the “**Pak Shek Kok Suspension Notice**”), pursuant to which all works conducted in lift shafts Nos. 30 and 32 of House No. 1 at the Pak Shek Kok Site (the “**Lift Shafts**”) were suspended until further notice

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and/or revocation of the Pak Shek Kok Suspension Notice. On 11 June 2019, the Labour Department had made an inspection on the Pak Shek Kok Site, and had subsequently revoked the Pak Shek Kok Suspension Notice on 12 June 2019, and we had resumed the relevant works accordingly.

In view of the Accident, our Group had engaged our Safety Adviser in November 2019 to carry out review on (i) our investigation on the Accident and provide recommendations to prevent the recurrence of similar accident; and (ii) our safety management system. According to the reports prepared by our Safety Adviser, in general, our Group's implementation of the safety management system had satisfactory performance in terms of compliance with statutory requirements and contractual safety obligations relating to the Pak Shek Kok Site, and there was no imminent dangerous situation or practice observed at the time of the review. For details of the post-Accident actions taken by our Group, please refer to the paragraph headed "Fatal accident – Post Accident actions" in this section.

Our Safety Adviser is a registered safety auditor registered under the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) ("Cap. 59AF") and a registered safety officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong) ("Cap. 59Z"), who has over 16 years of experience in the construction industry in Hong Kong. He obtained his bachelor of science degree majoring in civil engineering in the Bulacan State University in the Philippines in October 2013.

The summonses

On 16 October 2019, six summonses (the "Summonses") were issued under the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) against Temmex Brothers in relation to the Pak Shek Kok Site. Temmex Brothers was convicted under the Summonses on 17 January 2020 and was fined a total of HK\$72,500, which was fully settled. Details of the Summonses are set out below:

Date of non-compliance incident	Number of count	Incident of non-compliance	Relevant laws and regulations	Penalties (HK\$)
16 April 2019	1	Failure to provide and maintain a system of work for the dismantling of metal scaffolds inside lift shafts of individual houses that were, so far as reasonably practicable, safe and without risks to health of the person(s)	Sections 6A(1), 6A(2)(a) and 6A(3) of the Factories and Industrial Undertakings Ordinance	30,000

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Date of non-compliance incident	Number of count	Incident of non-compliance	Relevant laws and regulations	Penalties (HK\$)
16 April 2019	1	Failure to provide such information, instruction, training and supervision as was necessary to ensure, as far as reasonably practicable, the health and safety at work for the person(s)	Sections 6A(1), 6A(2)(c) and 6A(3) of the Factories and Industrial Undertakings Ordinance	30,000
16 April 2019	1	Failure to ensure the scaffold was not dismantled except by workman who was under the immediate supervision of a competent person	Regulations 38E(2)(b), 68(1)(a) and 68(2)(a) of the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong) (“ Cap. 59I ”)	3,500
16 April 2019	1	Failure to develop, implement and maintain in respect of the relevant industrial undertaking a safety management system which contained elements specified in part 1 of schedule 4 to Cap. 59AF	Regulations 8(2) and 34(2) of Cap. 59AF	3,000
16 April 2019	1	Failure to prepare and revise as often as might be necessary a written policy statement in relation to the safety policy of the relevant industrial undertaking	Regulations 9(1)(a) and 34(3) of Cap. 59AF	3,000
16 April 2019	1	Failure to ensure that safety reviews were conducted not less than once in each six months	Regulations 19(2)(a) and 34(2) of Cap. 59AF	3,000

As at the Latest Practicable Date, we had not yet received any personal injury claim in relation to the Accident. In any event, as confirmed by our Legal Counsel, the relevant employees' compensation insurance which covers the risk of injury or death sustained in the course of employment and is maintained by the relevant main contractor (the "**Pak Shek Kok Insurance**"), is expected to fully cover the potential employees' compensation claim or common law personal injury claim arising out of the Accident.

Our Legal Counsel's view to the Accident

Our Legal Counsel is of the view that, in light of the conviction under the Summonses on 17 January 2020, Temmex Brothers' registration as a registered specialist trade contractor (the "**CIC Registration**") is highly likely to be suspended for up to six months based on previous regulatory actions taken by the Construction Industry Council. Nonetheless, in the event of suspension, the operations of our Group will not be affected because as at the Latest Practicable Date, Temmex Brothers was not engaged in any projects that require the CIC Registration under contract. As Temmex Brothers has yet to receive a formal notice of hearing from the Construction Industry Council on any potential/impending regulatory actions as at the Latest Practicable Date, our Legal Counsel is of the view that such potential suspension (if any), after the hearing, would not affect the business operations of our Group. In the event that Temmex Brothers is suspended of its CIC Registration arising from the Accident, our Legal Counsel is of the view that, given that Temmex and Temmex Brothers are separate legal entities, such suspension record for Temmex Brothers would not adversely affect our Group's (i) existing contracts on hand, since all contracts which required the CIC Registration were entered into by Temmex as at the Latest Practicable Date; and (ii) future chances of securing projects requiring the CIC Registration, as Temmex Brothers' CIC Registration will be restored after the suspension and Temmex will continue to maintain its own CIC Registration.

As further advised by our Legal Counsel, (i) there had been no circumstances to suggest that the Pak Shek Kok Insurance (a) was invalid, void or insufficient, or (b) would be invalidated or void, to cover the potential employees' compensation claim or common law personal injury claim within the ambit of the Employees' Compensation Ordinance arising out of the Accident; (ii) any potential liability of Temmex Brothers under the said claims is fully covered by the Pak Shek Kok Insurance; and (iii) in the unlikely event that any common law personal injury claim brought against Temmex Brothers is not covered by the Pak Shek Kok Insurance, the potential maximum financial liability of our Group based on the age and income of the worker is approximately HK\$1.8 million.

For the purpose of ascertaining which tenders submitted by our Group required the CIC Registration, our Legal Counsel has advised that main contractors of public works only engage sub-contractors registered with the CIC Registration. As for private works, our Legal Counsel has advised that the tender invitations for private projects generally do not disclose the requirement for the CIC Registration as a contract term, this is subject to the terms and conditions of contract to be awarded after successful tender bid and agreed between the main contractor and sub-contractor.

Views of our Safety Adviser, our Directors and the Sponsor

As discussed above, after the Accident, our Group had engaged our Safety Adviser to carry out review on (i) our investigation on the Accident and provide recommendations to prevent the recurrence of similar accident; and (ii) our safety management system. Our Safety Adviser is of the view that (i) the Accident was an isolated incident as 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 a sound safety management system for the employees of our Group to prevent the recurrence of similar accident; and (iii) the current safety management system of our Group is adequate and effective and in compliance with the regulatory requirements. Based on the reports prepared by our Safety Adviser, our Directors and the Sponsor concur with the view of our Safety Adviser.

Our Directors are of the view that the Pak Shek Kok Suspension Notice, which caused a temporary suspension of relevant works as discussed above, had no material impact on the progress of the relevant project given that the Pak Shek Kok Suspension Notice was limited to the use of the Lift Shafts, which did not materially affect the operations of our Group's provision of formwork works services in the Pak Shek Kok Site. As at the Latest Practicable Date, all works at the Pak Shek Kok Site had been completed. In addition, based on our Legal Counsel's advice, our Directors are of the view that (i) the Pak Shek Kok Insurance would be sufficient to fully cover the potential employees' compensation claim or common law personal injury claim that may be brought against our Group; and (ii) as at the Latest Practicable Date, Temmex Brothers was not engaged in any projects that require the CIC Registration under contract. The revenue recognised from our Group's projects that required the CIC Registration for the Track Record Period was approximately HK\$272.0 million, HK\$217.1 million, HK\$238.4 million and HK\$210.5 million, for FY2017, FY2018, FY2019 and FY2020, respectively. In view of our Legal Counsel's advice, which was concurred by Ipsos, since the tender invitations for private projects generally do not disclose the requirement for the CIC Registration as a contract term, our Directors can only estimate the number and value of tenders submitted by our Group that required the CIC Registration by considering public projects only. As at the Latest Practicable Date, there were 32 tenders submitted by our Group for public projects with the tender value of approximately HK\$1.8 billion which required the CIC Registration that were still pending for tender results, of which none had been submitted under the name of Temmex Brothers. Further details of the statistics of our tenders are set out in the paragraph headed "Operation flow – 4. Award of contract" in this section. As Temmex Brothers has yet to receive a formal notice of hearing from the Construction Industry Council on any potential/impending regulatory actions as at the Latest Practicable Date, the potential suspension of Temmex Brothers' CIC Registration would not affect its operations. In the event that Temmex Brothers is suspended of its CIC Registration arising from the Accident, Ipsos and our Legal Counsel are of the view that, given that Temmex and Temmex Brothers are separate legal entities, such suspension record for Temmex Brothers would not adversely affect our Group's (i) existing contracts on hand, since all contracts which required the CIC Registration were entered into by Temmex as at the Latest Practicable Date; and (ii) future chances of securing projects requiring the CIC Registration, as Temmex Brothers' CIC Registration will be restored after the suspension and Temmex will continue to maintain its own CIC Registration.

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Further, as Temmex also has a current CIC Registration valid until 27 September 2022 (details of which are set out in the paragraphs headed “Our licences and permits” in this section and “History, Reorganisation and corporate structure – Our business development” in this prospectus), in the event that the Construction Industry Council imposes a suspension of its CIC Registration on Temmex Brothers as a result of its conviction under the Summonses, our Group can continue to submit further tenders for projects requiring the CIC Registration through Temmex during the suspension period.

Therefore, our Directors are of the view, and the Sponsor concurs, that the Accident would not have any material adverse impact on our Group’s operations and financial position.

Post-Accident actions

After the occurrence of the Accident, we conducted an investigation in relation to the Accident. Our safety officer has made, among others, the following recommendations on immediate actions to be taken at the Pak Shek Kok Site by our Group to enhance occupational safety measures:

Site level – in relation to the Accident

- to ensure that no workers may be transferred to other sites to work, except for the person-in-charge of the site and the general foreman;
- to ensure that work must be carried out in accordance with the safety standards of each of the main contractor and our Group, respectively;
- to incorporate relevant method statements and risk assessments, and to provide specific training to relevant workers when carrying out specific work items;
- before commencement of work, the general foreman and safety supervisor shall ensure that the site is safe; and
- when works have been completed, the general foreman and safety supervisor shall ensure that site materials be removed to ensure safety.

After having reviewed our investigation on the Accident and the above recommended measures taken up by our Group, our Safety Adviser was of the view that the recommendations made as a result of the Accident had all been satisfactorily implemented at the Pak Shek Kok Site.

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In reviewing the safety management system of our Group, our Safety Adviser has made, among others, the following recommendations on actions to be taken at corporate level by our Group to enhance occupational safety measures (including the measures to avoid the re-occurrence of any fatal accident):

Corporate level of our Group

- to conduct half-yearly refresher training sessions in order to raise awareness of safety regulations as well as high risk and hazardous procedures;
- to evaluate regularly the effectiveness of safety training to ensure workers are well-informed during training sessions;
- to collect safety inspection results conducted by safety officers in order to keep track of the safety performance of each site;
- to provide training to emergency team members in relation to emergency evacuation, fire prevention and fighting incidents, for the effective implementation on emergency handling;
- to enforce disciplinary arrangements to ensure compliance with safety rules, especially in relation to safety rules for working at height and scaffolding; and
- to include safety banners at workplace as a mechanism to draw workers' attention to safety at all times.

After having further reviewed the safety management system of our Group in January 2020 and June 2020, our Safety Adviser was of the view that the recommendations made by him in view of the Accident had also been fully and satisfactorily implemented at corporate level by our Group.

Our Directors confirmed that, (i) since the occurrence of the Accident and up to the Latest Practicable Date, there had not been any fatal or severe occupational accidents or major injuries arising from the projects of our Group; and (ii) no material deficiencies in relation to workplace safety had been identified by our Safety Adviser and our safety management system had fulfilled the relevant safety regulations in all material respects.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, we had been involved in a number of claims, litigations, pending or threatened claims against our Group. The claims against us typically relate to (i) employees' compensation cases; (ii) personal injury cases; and (iii) summons under the Factories and Industrial Undertakings Ordinance and the Occupational Safety and Health Ordinance. Our Directors are of the view that occurrences of such claims are not uncommon in our industry. As at all material times, our Directors were not

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named as defendants or potential defendants in the litigations or potential litigations against our Group set out below, and our Directors had no personal involvement in these litigations and would not be personally held liable.

Our Directors and our Legal Counsel confirmed that our formwork works projects were covered and protected by the employees' compensation insurance and relevant contractor's all risks insurance taken out by the main contractor for the relevant entire construction project. For details of our Group's insurance, please refer to the paragraph headed "Our insurance" in this section. During the Track Record Period and up to the Latest Practicable Date, we did not experience situations where the insurers had avoided covering our liability under employees' compensation claims and personal injury claims against us and therefore, we did not incur additional liability of material importance as a result of employees' compensation claims and personal injury claims not being covered by our insurance policies.

Ongoing litigations against us as at the Latest Practicable Date

As at the Latest Practicable Date, in addition to the Summonses in relation to the Accident, we had a number of ongoing litigations against us in relation to employees' compensation, personal injury and safety-related claims. For details of the Accident, please refer to the paragraph headed "Fatal accident" in this section.

(a) Litigation in relation to employees' compensation and personal injury claims

As at the Latest Practicable Date, we had 11 employees' compensation claims and six personal injury claims against us, details of which are as follows:

Date of accident	Name of subsidiary	Nature of claim	Nature of accident as alleged by the relevant worker
12 September 2016	Temtex	Employees' compensation claim	His face was hit by a wooden plank and he had lost his sense of taste
28 October 2016	Temtex	Employees' compensation claim	He tripped and fell forward by the curb of the scaffolding and injured his shoulder
28 November 2016	Temtex Brothers	Personal injury claim	He sprained his back whilst trying to pick up scaffolding material

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Date of accident	Name of subsidiary	Nature of claim	Nature of accident as alleged by the relevant worker
2 September 2017	Temtex	Personal injury claim	He fell down and hit an I-beam and injured his chest
20 November 2017	Temtex Brothers	Employees' compensation claim	He injured his hand when dismantling wallings
30 January 2018	Temtex	Personal injury claim	He fell from a wooden batten onto the ground and injured his right knee
23 January 2018	Temtex	Employees' compensation claim	He walked on a wooden bar and lost balance and sustained hyperplasia of prostate and/or urethral trauma
13 March 2018	Temtex Brothers	Employees' compensation claim	He tripped over some wooden blocks and metal bars and injured his left elbow
13 March 2018	Temtex Brothers	Personal injury claim	He tripped over some wooden blocks and metal bars and injured his left elbow
3 April 2018	Temtex	Employees' compensation claim	He stepped into a hole when removing a piece of wooden plank and his shoulder was injured
3 April 2018	Temtex	Personal injury claim	He stepped into a hole when removing a piece of wooden plank and his shoulder was injured
4 April 2018	Temtex	Employees' compensation claim	His right thigh was lacerated by hand tools

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Date of accident	Name of subsidiary	Nature of claim	Nature of accident as alleged by the relevant worker
6 August 2018	Temtex	Employees' compensation claim	His left middle finger was cut and torn when drilling holes in a board
14 August 2018	Temtex Brothers	Personal injury claim	He fell from a stool and injured his back
14 August 2018	Temtex Brothers	Employees' compensation claim	He fell from a stool and injured his back
25 August 2018	Temtex Brothers	Employees' compensation claim	A hard object fell from height when transporting wooden planks which struck and injured his left thumb
10 September 2018	Temtex	Employees' compensation claim	A wooden partition fell onto him and injured his neck and back

Due to the nature of the employees' compensation and personal injury claims, generally no specific claim amounts would be specified when court proceedings were first commenced. As confirmed by our Legal Counsel, as the final settlement amounts of the employees' compensation and personal injury claims would depend on the individual facts and circumstances of the proceedings and be decided by the relevant courts, we are not in a position to assess the likely quantum or our maximum liability exposure from such ongoing claims.

Our Directors confirmed that all such claims are covered by the insurance maintained by the relevant main contractors and that they were not aware of any circumstances suggesting that the insurers were going to avoid covering our liability under our ongoing litigations. Further, our Legal Counsel confirmed that all such claims had either been overtaken by the relevant insurer, or if the proceedings had not yet been formally taken up, the claims would be covered by the insurance maintained by the relevant main contractors. Our Directors and our Legal Counsel are therefore of the view that the ongoing litigations have no material financial and operational impact on our Group.

(b) Litigation in relation to safety-related claims

Further, as at the Latest Practicable Date, we had two safety-related claims against us in relation to the April 2019 Notices (as defined below). For further details of the safety-related claims, please refer to the paragraph headed “Non-compliances – (3) Non-compliance in relation to safety” in this section.

Potential litigations against us as at the Latest Practicable Date

Potential claims under the Employees’ Compensation Ordinance

Generally, injured persons may commence their claims under the Employees’ Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years and three years, respectively, from the date of the relevant accidents. Since no civil action had been commenced, the claims, when filed, would generally be handled by solicitors appointed by the main contractors’ insurers. We are not in a position to assess the likely quantum of the aforesaid potential claims. As it is the obligations of the relevant main contractors of the project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites, our Directors believe that the potential employees’ compensation claims and personal injury claims will be covered by insurance maintained by the relevant main contractors.

During the Track Record Period and up to the Latest Practicable Date, other than the Accident, there were 36 workplace accidents which occurred to workers of our Group. Out of these workplace accidents, (i) the limitation period for the employees’ compensation claims and/or the common law personal injury claims regarding nine workplace accidents had expired; (ii) the employees’ compensation claims and/or the common law personal injuries claims for 14 workplace accidents had been commenced against our Group and were ongoing; and (iii) the remaining 13 workplace accidents which might give rise to potential claims against our Group had included two employees’ compensation applications which our Group had settled or discontinued during the Track Record Period and as at the Latest Practicable Date. For details of the workplace accidents, please refer to the paragraph headed “Occupation health and safety – Our safety record during Track Record Period” in this section.

Our Directors confirmed that, other than the Accident, these accidents occurred during the usual and ordinary course of our business and have not caused any material disruption to our Group’s business, and our Legal Counsel further confirmed that, other than the Accident that might cause a temporary suspension of the CIC Registration of Temmex Brothers, these accidents will not cause any material adverse impact on our Group to obtain and renew any licences or permits for our operation. For details of the Accident and the measures taken by our Group to avoid the reoccurrence of any fatal accident, please refer to the paragraph headed “Fatal accident” in this section.

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Moreover, there are insurance policies in place to cover our potential liabilities in relation to the above potential claims. 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 relevant insurance policies. For details of our insurance policies, please refer to the paragraph headed “Our insurance” in this section.

Our Legal Counsel confirmed that the above non-compliances will not cause any material adverse impact on our Group to obtain and renew any licences or permits for our operation. Our Directors are therefore of the view that given the insignificant aggregate amount of the fines, as well as the Deed of Indemnity given in favour of us by our Controlling Shareholders, the above non-compliances are not expected to cause any material adverse impact on the financial and operation of our Group.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any claims, actions, demands, proceedings, judgments, losses, liabilities, damages costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information – 8. Tax and other indemnities” in Appendix IV to this prospectus.

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Criminal convictions during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, in addition to the Summonses convicted against Temmex Brothers in relation to the Pak Shek Kok Site on 17 January 2020, we also had four criminal charges brought against Temmex, of which all were convicted. Details of the criminal convictions are as follows:

	Particulars of the charges	Relevant laws and regulations	Date of order	Penalties (HK\$)
1.	On 27 September 2017, Temmex failed 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 at a working platform at the external wall of the relevant construction site	Regulation 38AA(2) of Cap. 59I	23 August 2018	9,500
2.	On 27 September 2017, Temmex failed to take adequate steps to prevent a worker working on a working platform of the relevant construction site from falling from a height of two metres or more	Regulation 38B(1A) of Cap. 59I	23 August 2018	11,000
3.	On 28 March 2018, Temmex failed to take adequate steps to prevent a worker working on the formwork on 2/F facing the staircases of the relevant construction site from falling from a height of two metres or more	Regulation 38B(1A) of Cap. 59I	20 September 2018	8,000
4.	On 28 March 2018, Temmex failed to take adequate steps to prevent a worker working on the formwork on 2/F facing Shek Pai Tau Road of the relevant construction site from falling from a height of two metres or more	Regulation 38B(1A) of Cap. 59I	20 September 2018	7,500

The above criminal convictions were all monetary penalty and had been settled, and such convictions were made against our Group but not against our Directors or the senior management of our Group.

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Save as disclosed above, our Directors confirmed that no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

NON-COMPLIANCES

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance incidents by our operating subsidiaries with certain laws and regulations in Hong Kong, details of which are set out below. Such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial condition and/or our operations. During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliances which resulted in any material penalty to our Group.

(1) Non-compliance under the Mandatory Provident Fund Schemes Ordinance

No.	Particulars of non-compliance	Reasons for non-compliance	Likely legal consequences to the event of conviction and the relevant basis	Remedial actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
1.	<p>Temmex, Temmex Brothers and Kennex had failed to make timely MPF contributions for an aggregate of 2,136 employees, involving an aggregate amount of under-contribution of approximately HK\$923,200.</p> <p>During FY2017, FY2018, FY2019 and FY2020, Temmex failed to make MPF contributions in accordance with the MPFSO of approximately HK\$270,000, HK\$239,000, HK\$328,000 and HK\$7,000, respectively.</p> <p>During FY2018, FY2019 and FY2020, Temmex Brothers failed to make MPF contributions in accordance with the MPFSO of approximately HK\$21,000, HK\$57,000 and HK\$200, respectively.</p> <p>During FY2017, Kennex failed to make MPF contributions in accordance with the MPFSO of approximately HK\$1,000.</p>	<p>The non-compliance incidents were accidental due to inadvertent oversight by our administrative personnel, who failed to make MPF contributions timely to the MPF trustees.</p>	<p>For non-compliances with section 7A of the MPFSO, section 43B of the MPFSO provides that an employer shall be liable to a maximum fine of HK\$50,000 and to imprisonment of up to three years and a daily penalty of HK\$500 for each day on which the offence is continued.</p> <p>According to section 43B(4) of the MPFSO, prosecution of offences under the MPFSO may be instituted within six months after the offence is discovered by or comes to the notice of the MPF Authority. As the MPF Authority was put on notice of this non-compliance via the MPF trustees on 28 November 2019 and 29 November 2019, our Legal Counsel has advised that prosecution by the MPF Authority of this non-compliance was time-barred in May 2020.</p> <p>Our Legal Counsel has advised that given our Group's clear record in relation to conviction under the MPFSO, even in the event of conviction, the imposition of maximum fine and imprisonment is highly unlikely. As such, our Legal Counsel has further advised that, and concurred by our Tax Adviser, even in the event of conviction, the likely penalty to be imposed on our Group would be a contribution surcharge of 5% of the amount in arrears, in addition to the contribution arrears by the relevant employers and the employees.</p>	<p>In respect of the under-contribution, our Directors confirmed that (i) all the payments of MPF contributions that were under-contributed (including the contribution surcharges) had been subsequently paid, (ii) the obligation to make MPF contributions for Temmex, Temmex Brothers and Kennex had been complied with as at 29 November 2019, and (iii) since 29 November 2019, our Group as a whole had complied with the relevant MPF regulations in relation to MPF contributions for its employees in all material respects.</p> <p>The aggregate amount of under-contribution (including the contribution surcharges) had been provided for in the audited combined financial statements as of 31 March 2020.</p> <p>As at the Latest Practicable Date, as this non-compliance had been time-barred, our Legal Counsel has advised that there is no risk of prosecution.</p>	<p>Our Group has designated Mr. Cheung Kit Hung, our executive Director and Mr. Hui Siu Wing, our financial controller, respectively, to oversee the compliance with MPF matters and strengthened our internal control system to prevent future occurrence of this non-compliance.</p>

No.	Particulars of non-compliance	Reasons for non-compliance	Likely legal consequences to the event of conviction and the relevant basis	Remedial actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
2.	<p>During the Track Record Period, each of Temmex, Temmex Brothers and Kennex had failed to ensure an aggregate of 70 employees, 4 employees and 4 employees, respectively, to become a member of a registered provident fund scheme within the permitted period in accordance with the MPFSO involving an aggregate amount of approximately HK\$386,000.</p> <p>During FY2017, FY2018 and FY2019, Temmex failed to ensure its employees to become a member of a registered provident fund scheme within the permitted period in accordance with the MPFSO, involving approximately HK\$83,000, HK\$127,000 and HK\$102,000, respectively.</p> <p>During FY2018 and FY2019, Temmex Brothers failed to ensure its employees to become a member of a registered provident fund scheme within the permitted period in accordance with the MPFSO, involving approximately HK\$700 and HK\$1,000, respectively.</p> <p>During FY2019, Kennex failed to ensure its employees to become a member of a registered provident fund scheme within the permitted period in accordance with the MPFSO, involving approximately HK\$72,000.</p>	<p>The non-compliance incidents were accidental due to inadvertent oversight by our administrative personnel who was not familiar with the relevant requirements of the MPFSO.</p>	<p>For non-compliances with section 7 of the MPFSO, section 43B of the MPFSO provides that an employer shall be liable to a maximum fine of HK\$350,000 and to imprisonment of up to three years and a daily penalty of HK\$500 for each day on which the offence is continued.</p> <p>According to section 43B(4) of the MPFSO, prosecution of offences under the MPFSO may be instituted within six months after the offence is discovered by or comes to the notice of the MPE Authority. As the MPF Authority was put on notice of this non-compliance via the MPF trustees on 28 November 2019 and 29 November 2019, our Legal Counsel has advised that prosecution by the MPF Authority of this non-compliance was time-barred in May 2020.</p> <p>Our Legal Counsel has advised that given our Group's clear record in relation to conviction under the MPFSO, even in the event of conviction, the imposition of maximum fine and imprisonment is highly unlikely. As such, our Legal Counsel has further advised that, and concurred by our Tax Adviser, even in the event of conviction, the estimated penalty to be imposed on our Group would be a contribution surcharge of 5% of the amount in arrears, in addition to the contribution arrears by the employer and the employees.</p>	<p>In respect of the unregistered contribution, our Directors confirmed that: (i) all the payments of MPF contributions that were unregistered (including the contribution surcharges) had been subsequently paid, (ii) the obligation to make MPF contributions for Temmex, Temmex Brothers and Kennex had been complied with as at 29 November 2019, and (iii) since 29 November 2019, our Group as a whole had complied with the relevant MPF regulations in relation to MPF contributions for its employees in all material respects.</p> <p>The aggregate amount of unregistered contribution (including the contribution surcharges) had been provided for in the audited combined financial statements as of 31 March 2020.</p> <p>As at the Latest Practicable Date, as this non-compliance had been time-barred, our Legal Counsel has advised that there is no risk of prosecution.</p>	<p>Our Group has designated Mr. Cheung Kit Hung, our executive Director and Mr. Hui Siu Wing, our financial controller, respectively, to oversee the compliance with MPF matters and strengthened our internal control system to prevent future occurrence of this non-compliance.</p>

(2) Non-compliance under the Inland Revenue Ordinance

Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance	Likely legal consequences to the event of conviction and the relevant basis	Reasons for non-compliance	Remedial actions taken and status	Further, to the best of our knowledge, (i) during FY2017, FY2018 and FY2019, Temmex underreported approximately HK\$4,909,000, HK\$4,753,000 and HK\$1,980,000, respectively, in its Form 56B; (ii) during FY2018 and FY2019, Temmex Brothers underreported approximately HK\$18,000 and HK\$97,000, respectively, in its Form 56B; and (iii) during FY2017 and FY2018, Kennex underreported approximately HK\$3,000 and HK\$1,000, respectively, in its Form 56B, involving an aggregate amount of underreported salaries of approximately HK\$11,761,000, in breach of section 52(2) of the IRO.
<p>3. During the Track Record Period, (i) Temmex failed to file the Employer's Return of Remuneration and Pensions ("Form 56B") in a timely manner for FY2017, FY2018 and FY2019, in breach of section 52(2) of the IRO.</p>	<p>Further, to the best of our knowledge, (i) during FY2017, FY2018 and FY2019, Temmex underreported approximately HK\$4,909,000, HK\$4,753,000 and HK\$1,980,000, respectively, in its Form 56B; (ii) during FY2018 and FY2019, Temmex Brothers underreported approximately HK\$18,000 and HK\$97,000, respectively, in its Form 56B; and (iii) during FY2017 and FY2018, Kennex underreported approximately HK\$3,000 and HK\$1,000, respectively, in its Form 56B, involving an aggregate amount of underreported salaries of approximately HK\$11,761,000, in breach of section 52(2) of the IRO.</p>	<p>Further, to the best of our knowledge, (i) during FY2017, FY2018 and FY2019, Temmex underreported approximately HK\$4,909,000, HK\$4,753,000 and HK\$1,980,000, respectively, in its Form 56B; (ii) during FY2018 and FY2019, Temmex Brothers underreported approximately HK\$18,000 and HK\$97,000, respectively, in its Form 56B; and (iii) during FY2017 and FY2018, Kennex underreported approximately HK\$3,000 and HK\$1,000, respectively, in its Form 56B, involving an aggregate amount of underreported salaries of approximately HK\$11,761,000, in breach of section 52(2) of the IRO.</p>	<p>Further, to the best of our knowledge, (i) during FY2017, FY2018 and FY2019, Temmex underreported approximately HK\$4,909,000, HK\$4,753,000 and HK\$1,980,000, respectively, in its Form 56B; (ii) during FY2018 and FY2019, Temmex Brothers underreported approximately HK\$18,000 and HK\$97,000, respectively, in its Form 56B; and (iii) during FY2017 and FY2018, Kennex underreported approximately HK\$3,000 and HK\$1,000, respectively, in its Form 56B, involving an aggregate amount of underreported salaries of approximately HK\$11,761,000, in breach of section 52(2) of the IRO.</p>	<p>Further, to the best of our knowledge, (i) during FY2017, FY2018 and FY2019, Temmex underreported approximately HK\$4,909,000, HK\$4,753,000 and HK\$1,980,000, respectively, in its Form 56B; (ii) during FY2018 and FY2019, Temmex Brothers underreported approximately HK\$18,000 and HK\$97,000, respectively, in its Form 56B; and (iii) during FY2017 and FY2018, Kennex underreported approximately HK\$3,000 and HK\$1,000, respectively, in its Form 56B, involving an aggregate amount of underreported salaries of approximately HK\$11,761,000, in breach of section 52(2) of the IRO.</p>

Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance

No.	Particulars of non-compliance	Reasons for non-compliance	Likely legal consequences to the event of conviction and the relevant basis	Remedial actions taken and status
	<p>Further, during the Track Record Period, each of Tennex, Tennex Brothers and Kennex did not file the Notification by an Employer of an Employee who commences to be Employed ("Form 56E") and the Notification by an Employer of an Employee who is about to cease to be Employed ("Form 56F") on a timely manner, in breach of sections 52(4) and 52(5) of the IRO, respectively.</p>	<p>Our Legal Counsel has advised that the honest and reasonable belief may amount to a reasonable defence under the IRO and the risk of prosecution is remote.</p> <p>Further, our Legal Counsel has advised that, and concurred by our Tax Adviser, the estimated penalty to be imposed on our Group (if any) for failure to file Form 56B in a timely and accurate manner, would be a fine between HK\$2,000 and HK\$3,000 for each incident.</p>	<p>Our Group will duly settle the fines imposed as a result of the non-compliance incidents, if any, in accordance with the assessment of the IRO. Further, our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – 8. Tax and other indemnities" in Appendix IV to this prospectus.</p>	

Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance

No.	Particulars of non-compliance	Reasons for non-compliance	Likely legal consequences to the event of conviction and the relevant basis	Remedial actions taken and status
4.	Each of Temmex Brothers and Kennex had failed to notify the IRD of its chargeability to Hong Kong profits tax during the Track Record Period, respectively, under section 51(2) of the IRO, involving an aggregate amount of profits chargeable of approximately HK\$1,780,000 resulting in tax payable of an aggregate amount of approximately HK\$8,440,000.	The incidents of failure to notify the IRD of its chargeability to Hong Kong profits tax were mainly due to the mistaken belief and misunderstanding of our administrative staff to the content of the IRD's notices (IRC 1812) issued to Temmex Brothers and Kennex.	For non-compliances with section 51(2) of the IRO, section 80(2)(e) of the IRO provides that any person without reasonable excuse shall be liable to a maximum fine of HK\$10,000, and a further fine of treble the undercharged amount, and the court may order the person convicted within a specified time to do the act which he has failed to do.	As remedial measures, Temmex Brothers and Kennex have appointed our Tax Adviser to review the companies' compliance status. On 28 November 2019, with the assistance of our Tax Adviser, each of Temmex Brothers and Kennex had informed the IRD of its chargeability to Hong Kong profits tax during the Track Record Period, respectively.
		In May 2017 and February 2017, Temmex Brothers and Kennex each received a notice (IRC 1812) from the IRD, respectively, notifying them that the IRD would not require them to submit annual profits tax return. Since then, (i) Temmex Brothers had not received any profits tax return for FY2018 and FY2019; and (ii) Kennex had not received any profits tax return for FY2017 and FY2018.	Under section 82A of the IRO, a person may also be liable to additional tax not exceeding treble the undercharged amount, if no prosecution under section 80(2) of the IRO has been instituted in respect of the same facts.	As advised by our Legal Counsel, and concurred by our Tax Adviser, non-compliance not for willful evasion of tax will generally be dealt with administratively such as compound in lieu of prosecution. Since the incidents of failure to notify the IRD of its chargeability to Hong Kong profits tax were due to the mistaken belief and misunderstanding of our administrative staff to the content of the IRD's notices (IRC 1812), our Legal Counsel is of the view that these non-compliances were not considered to be willful evasion of tax given that the circumstances of the breaches did not fall within the ambit of intention to evade tax under section 82(1) of the IRO, and was not of a deliberate nature. As rectification has been taken, these non-compliances are not material.
			Under section 80 of the IRO, no person shall be liable to any penalty unless the complaint concerning such offence was made in the year of assessment in respect of or during which the offence was committed or within six years after the expiration thereof.	As at the Latest Practicable Date, our Group has yet to receive any response from the IRD. As advised by our Legal Counsel, and concurred by our Tax Adviser, it is likely that an additional fine not exceeding 10% of the undercharged amount will be imposed. Our Group will duly settle the penalty imposed as a result of the failure of each of Temmex Brothers and Kennex to notify the IRD of its chargeability to Hong Kong profits tax, if any, in accordance with the assessment of the IRD. Further, our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – 8. Tax and other indemnities" in Appendix IV to this prospectus.

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Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance

Likely legal consequences to the event of conviction and the relevant basis Remedial actions taken and status

No.	Particulars of non-compliance	Reasons for non-compliance
	<p>To the best of our Director's knowledge, during the Track Record Period, (i) Temmex Brothers failed to inform the IRD an aggregate amount of profits chargeable of approximately HK\$18,510,000 resulting in tax payable of an aggregate amount of approximately HK\$3,000,000 in FY2018 and FY2019 (FY2018: net profits chargeable of approximately of HK\$9,000,000* resulting in tax payable of approximately HK\$1,450,000; FY2019: profits chargeable of approximately of HK\$9,510,000 resulting in tax payable of approximately HK\$1,550,000) which led to an aggregate amount of provision for fine thereon of approximately HK\$300,000 (each of FY2018 and FY2019: approximately HK\$150,000); and (ii) Kennex failed to inform the IRD an aggregate amount of profits chargeable of approximately HK\$33,270,000 resulting in tax payable of an aggregate amount of approximately HK\$5,440,000 in FY2017 and FY2018 (FY2017: net profits chargeable of approximately HK\$16,190,000* resulting in tax payable of approximately of HK\$2,650,000; FY2018: profits chargeable of approximately HK\$17,080,000 resulting in tax payable of approximately HK\$2,790,000) which led to an aggregate amount of provision for fine thereon of approximately HK\$550,000 (FY2017: approximately HK\$270,000; FY2018: approximately HK\$280,000).</p>	<p>Despite the fact that our Group recorded profits before taxation in each of the above mentioned years, our administrative staff misunderstood the content of said notice (IRC 1812) and mistakenly believed that each of Temmex Brothers and Kennex was not required to notify the IRD of its chargeability to Hong Kong profits tax, and was not aware that despite not receiving any notice from the IRD to furnish a profits tax return to the IRD for the relevant year of assessment, each of Temmex Brothers and Kennex was still required to inform the IRD of its respective profits chargeable not later than four months after the end of the basis period (accounting period) of the relevant year of assessment.</p> <p>Furthermore, the former tax adviser of Temmex Brothers and Kennex failed to remind the companies the compliance obligation of informing the chargeable profits to the IRD in a timely manner.</p>

Notes:

1. The amount of profits chargeable of approximately HK\$9,010,000 was set off by tax loss brought forward from FY2017 of approximately HK\$10,000.
2. The amount of profits chargeable of approximately HK\$16,720,000 was set off by tax loss brought forward from FY2016 of approximately HK\$530,000.

(3) Non-compliance in relation to safety

No.	Particulars of non-compliance	Reasons for non-compliance	Likely legal consequences to the event of conviction and the relevant basis	Remedial actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
5.	<p>On 25 May 2017, an improvement notice was served on Temmex (the "May 2017 Notice") for failing to ensure that all platforms, gangways, floors, or other places used as passageways to the place where the construction work was being carried out are kept clear of any loose materials which were not required for immediate use under regulation 52(1A) of Cap. 591.</p> <p>On 29 September 2017, two improvement notices were served on Temmex (the "September 2017 Notices") for:</p> <p>(i) 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 pursuant to regulation 38B(1A) of Cap. 591; and</p> <p>(ii) 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 pursuant to regulation 38AA(2) of Cap. 591.</p> <p>On 9 April 2019, two improvement notices were served on Temmex (the "April 2019 Notices") for:</p> <p>(i) 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 under regulations 38B(1A) of Cap. 591; and</p>	<p>Relevant site workers failed to follow the applicable safety policies, procedures and regulations.</p>	<p>For non-compliances under regulations 38B(1A), 38AA(2) and 52(1A) of Cap. 591, regulation 68(2)(g) of Cap. 591 provides that where the offence was committed without reasonable excuse, any person guilty of the offence shall be liable to a maximum fine of HK\$200,000 and to imprisonment for 12 months and in any other case to a fine of HK\$200,000.</p> <p>Under section 26 the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong), the non-compliances above are time-barred after six months.</p>	<p>Temmex complied with the May 2017 Notice and no prosecution was made by the Labour Department as a result of the May 2017 Notice.</p> <p>As advised by our Legal Counsel, there is no risk of prosecution as Temmex had duly complied with the May 2017 Notice.</p> <p>Subsequent to the issuance of the September 2017 Notices, the Labour Department had served two summonses in relation to the non-compliances alleged in the September 2017 Notices, and Temmex was convicted and fined HK\$11,000 and HK\$9,500, respectively.</p> <p>As at the Latest Practicable Date, the fines imposed as a result of the September 2017 Notices had been settled.</p>	<p>The responsible safety supervisors and safety officer shall closely monitor compliance of with safety rules relating to working at height in each construction site to ensure our workers strictly follow our Group's relevant safety rules whilst working at height. In particular, for works to be conducted within lift shafts and at a height of two metres or above, the relevant working platforms or structures shall be inspected by a competent person before commencement of work and regularly during the course of execution of the work.</p>
				<p>As advised by our Legal Counsel, the fines as a result of the September 2017 Notices had been settled by Temmex, and as such, the legal consequences and liabilities under these incidents were final and conclusive, and there is no risk of prosecution. Further details of the convictions are set out in the paragraph headed "Litigation and claims – Criminal convictions during the Track Record Period and up to the Latest Practicable Date" in this section.</p> <p>Subsequent to the issuance of the April 2019 Notices, the Labour Department had served two summonses in relation to the non-compliances alleged in the April 2019 Notices. As at the Latest Practicable Date, the claims arising out of the April 2019 Notices were still under investigation by the Labour Department. As advised by our Legal Counsel, based on similar cases and previous claims brought against our Group, the likely penalties would be around HK\$10,000 and HK\$3,000 for the two summonses, respectively, if prosecuted.</p>	<p>Further details of our enhanced internal control measures to prevent re-occurrence of safety and health-related non-compliance are set out in the paragraph headed "Non-compliances – Enhanced internal control measures" in this section.</p>

No.	Particulars of non-compliance	Reasons for non-compliance	Likely legal consequences to the event of conviction and the relevant basis	Remedial actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
(ii)	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 under regulations 38AA(2) of Cap. 591.				
6.	Between June 2014 and October 2019, each of Temmex and Temmex Brothers failed to appoint a registered safety auditor to conduct safety audit for not less than once in each six months where the relevant industrial undertaking came into existence in relation to an aggregate of 14 construction projects.	The incidents of failure to appoint a registered safety auditor to conduct safety audit not less than once in each six months were not wilful and were due to the inadvertent oversight of our former safety officer.	For non-compliances under regulations 8 and 13 of Cap. 59AF, regulation 34(2) of Cap. 59AF provides that any person guilty of an offence shall be liable to a maximum fine of HK\$200,000 and to imprisonment for six months.	After discovering the non-compliance incidents, with the assistance of our safety officer engaged by our Group, our Group had duly complied with the relevant requirements of Cap. 59AF.	Since the engagement of our safety officer by our Group, he has closely monitored, and will continue to closely monitor, our Group's compliance with the safety rules and requirements of schedule 3 to Cap. 59AF.
		The statutory duty is imposed on contractors who fall within the scope as specified in the schedules to Cap. 59AF, but not on all contractors, and our Group mistakenly believed that such duty was to be performed by the relevant main contractor only until the engagement of our current safety officer by our Group.	Under section 26 of the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong), the above non-compliances are time-barred after six months.	As at the Latest Practicable Date, these non-compliance incidents had been time-barred and there is no risk of prosecution.	Further details of our enhanced internal control measures to prevent re-occurrence of safety and health-related non-compliance are set out in the paragraph headed "Non-compliances – Enhanced internal control measures" in this section.

No.	Particulars of non-compliance	Reasons for non-compliance	Likely legal consequences to the event of conviction and the relevant basis	Remedial actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
7.	<p>Between November 2016 and October 2019, each of Temmex and Temmex Brothers had failed to appoint a safety review officer to conduct review for not less than once in each six months where the relevant industrial undertaking came into existence in relation to an aggregate of five construction projects.</p> <p>On 10 July 2019, an improvement notice was served on Temmex Brothers (the “July 2019 Notice”) for failing to ensure that safety reviews were conducted not less than once in each six months under regulation 19(2)(a) of Cap. 59AF.</p>	<p>The incidents of failure to appoint a safety review officer to conduct safety review not less than once in each six months were not willful and were due to the inadvertent oversight of our former safety officer.</p> <p>The statutory duty is imposed on contractors who fall within the scope as specified in the schedules to Cap. 59AF, but not on all contractors, and our Group mistakenly believed that such duty was to be performed by the relevant main contractor only until the engagement of our current safety officer by our Group.</p>	<p>For non-compliances under regulations 8 and 19 of Cap. 59AF, regulation 34(2) of Cap. 59AF provides that any person guilty of an offence shall be liable to a maximum fine of HK\$200,000 and to imprisonment for six months.</p> <p>Under section 26 the Magistrates Ordinance (Chapter 277 of the Laws of Hong Kong) the above non-compliances are time-barred after six months.</p>	<p>After discovering the non-compliance incidents, with the assistance of our safety officer engaged by our Group, our Group had duly complied with the relevant requirements of Cap. 59AF.</p> <p>As at the Latest Practicable Date, save for the non-compliance in relation to the July 2019 Notice, these non-compliances had been time-barred and there is no risk of prosecution .</p> <p>Subsequent to the issuance of the July 2019 Notice, Temmex Brothers appointed a registered safety auditor to conduct a safety audit on 3 August 2019 which has covered the review scope as required under a safety review. Nonetheless, the Labour Department had served a summons in relation to the non-compliance alleged in the July 2019 Notice, and Temmex Brothers was convicted and fined HK\$3,000.</p>	<p>Since the engagement of our safety officer by our Group, he has closely monitored and will continue to closely monitor our Group’s compliance with the safety rules and requirements of schedule 3 to Cap. 59AF.</p> <p>Further details of our enhanced internal control measures to prevent re-occurrence of safety and health-related non-compliance are set out in the paragraph headed “Non-compliances – Enhanced internal control measures” in this section.</p>
				<p>As at the Latest Practicable Date, the fine imposed as a result of the July 2019 Notice had been settled. As advised by our Legal Counsel, since the fine as a result of the July 2019 Notice had been settled by Temmex Brothers, the legal consequences and liabilities under this incident were final and conclusive, and there is no risk of further prosecution. Further details of the summons and conviction are set out in the paragraph headed “Fatal accident – The summonses” in this section.</p>	

(4) Non-compliance in relation to the Employment Ordinance

No.	Particulars of non-compliance	Reasons for non-compliance	Likely legal consequences to the event of conviction and the relevant basis	Remedial actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
8.	On 7 May 2016, Temmex had failed to make timely wage payment for the calendar month of April 2016 (the "April Wages") to 143 on-site workers in respect of a project located in West Kowloon, Hong Kong.	It was due to an unintentional miscommunication on the part of Temmex, and on the misunderstanding that the April Wages would be paid by the main-contractor, Temmex did not release the April Wages to its workers.	For non-compliances with section 23 of the Employment Ordinance, section 63C of the Employment Ordinance provides that any employer who willfully and without reasonable excuse contravenes this section would be liable to a fine of HK\$350,000 and to imprisonment for three years.	The April Wages were subsequently being paid to all 143 on-site workers by the main contractor as directed by the Labour Department. As advised by our Legal Counsel, this one-off non-compliance incident was not intentional, and in any event, there would be no risk of prosecution by the Commissioner for Labour as it had been time-barred.	Our Group has designated Mr. Cheung Kit Hung and Mr. Leung Wing Hoi, our executive Directors, to oversee the payroll and other Employment Ordinance compliance matters and has strengthened our internal control system to prevent future re-occurrence of this non-compliance.
		Under section 26 of the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong), the above non-compliance is time-barred after six months.		As at the Latest Practicable Date, our Group had complied with the Employment Ordinance in relation to wage payment to our employees in all material respects; and had neither: (i) been prosecuted or penalised by the Commissioner for Labour, nor (ii) received any complaint from our employees in relation to wage payment related non-compliances.	Further details of our enhanced internal control measures to prevent re-occurrence of this non-compliance are set out in the paragraph headed "Non-compliances – Enhanced internal control measures" in this section.
		As no prosecution was commenced against Temmex within six months of the incident, our Legal Counsel has advised that prosecution by the Commissioner for Labour of this non-compliance was time-barred in December 2017.			

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With reference to the Guidance Letter HKEx-GL63-13, the abovementioned incidents numbered (1) to (7) are recurring in nature and would constitute systemic non-compliances. Under the Guidance Letter HKEx-GL96-18, systemic and/or repeated breaches of laws and regulations may affect suitability for listing since the concern is the lack of competence or capacity, borne out by systemic or repeated breaches, even if not deliberate. Nonetheless, having considered, among others, (i) these incidents are common in the construction industry; and (ii) the estimated penalties that may result from these incidents are not particularly high, our Legal Counsel is of the view that these incidents would not affect our Company's suitability for listing.

In respect of the abovementioned incident numbered (8), having taking into account that (i) it was a one-off incident and non-recurring in nature due to an unintentional miscommunication on the part of Temmex, and there was no subsequent re-occurrence of such non-compliance in our Group; (ii) this one-off incident had not led to our Group being prosecuted or penalised and it had been time-barred in December 2017 without further action from the Commissioner for Labour, and therefore might have been considered not to be of a material nature from the perspective of the Commissioner for Labour; and (iii) our Legal Counsel is of the view that this one-off incident would not affect our Company's suitability for listing, our Directors are of the view that this incident is considered to be an immaterial and non-systemic non-compliance incident.

Having considered that the nature of these incidents did not have any material legal and financial impact on our Group, our Directors are of the view, and the Sponsor concurs, that these non-compliance incidents (including the systemic non-compliance incidents) would not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

Enhanced internal control measures

We have carried out additional internal control measures to further enhance our internal control systems to ensure compliance with various applicable laws and regulations. Such additional internal control measures include the following (the "**Enhanced Internal Control Measures**"):

- in April 2019, we appointed our Tax Adviser to review our Group's compliance status on tax and MPF matters during the Track Record Period;
- in August 2019, we established a set of step-by-step guidelines detailing the proper work procedures and safety precautions for carrying out relevant work and conducting risk assessments to identify potential hazards as well as providing suggestions on proper preventive measures prior to commencement of construction works;
- in October 2019^(Note), we engaged our safety officer on a full-time basis at corporate level, who is responsible for monitoring our Group's compliance with safety requirements under all relevant legislation and guidelines, including, but not limited

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to, site inspection with an aim to identify any safety issue at relevant construction sites and checking whether our workers and our subcontracted workers have followed our safety guidelines;

Note: In April 2019, we first engaged our safety officer as an independent consultant from April 2019 to October 2019 to conduct investigation on the Accident.

- in November 2019, we engaged our Safety Adviser to carry out review on (i) our investigation on the Accident and provide recommendations to prevent the re-occurrence of similar accident; and (ii) our safety management system, and further reviews in January 2020 and June 2020, recommendations made by our Safety Adviser had been fully and satisfactorily implemented by our Group, respectively. For details of the post-Accident actions taken by our Group, please refer to the paragraph headed “Fatal accident – Post-Accident actions” in this section;
- in November 2019, we designated Mr. Cheung Kit Hung and Mr. Hui Siu Wing, our executive Director and financial controller, respectively, together with our finance department, who have designated personnel who understands the relevant requirements of the MPFSO and the IRO to oversee and monitor the compliance with (i) MPF matters; and (ii) the procedures for tax filing and payment;
- in November 2019, we designated Mr. Cheung Kit Hung and Mr. Leung Wing Hoi, our executive Directors, to oversee our Group’s payroll and other Employment Ordinance related compliance matters. In addition, we have improved our contracts negotiation and review protocol and implemented a new payroll monitoring and reporting procedure to foster better communication internally and externally with our customers; and
- on 7 September 2020, we established the Compliance Committee comprising five members, namely Mr. Cheung Kit Hung and Mr. WC Leung, our executive Directors, Mr. Chu Hau Lim, our independent non-executive Director, Mr. Hui Siu Wing, our financial controller, and Mr. Lau Chi Shing Tommy, our safety officer. Mr. Cheung Kit Hung is the chairman of the Compliance Committee. For further details of the qualifications and experiences of each of Mr. Cheung Kit Hung, Mr. WC Leung, Mr. Chu Hau Lim and Mr. Hui Siu Wing, please refer to the sections headed “Directors and senior management – Directors” and “Directors and senior management – Senior management” in this prospectus. Since October 2019, Mr. Lau Chi Shing Tommy is our safety officer on a full-time basis at corporate level, who is registered under Cap. 59Z and a registered safety auditor registered under Cap. 59AF, and has over 11 years of experience in the construction industry in Hong Kong. He has been appointed as the chairman of the Policy and Legal Committee of Hong Kong Society of Registered Safety Auditors and Review Officers since May 2015.

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The primary duties of the Compliance Committee are to ensure compliance with regulatory matters as well as the adequacy and effectiveness of regulatory compliance procedures and system. The members of the Compliance Committee, individually or as a whole, have unrestricted access to advice given by professional advisers of our Group. The roles of the Compliance Committee include, but not limited to, the following:

- i. to identify, address and rectify any potential and non-compliance issues regarding or involving any member or employee of our Group;
- ii. to liaise with relevant government authorities and statutory bodies to ensure proper compliance of our Group;
- iii. to handle all the complaints or suggestions from the employees of our Group;
- iv. to ensure compliance with our Company's internal control procedure manual and the relevant safety policies, and make relevant compliance-related recommendations to our Board from time to time;
- v. to make recommendations on review measures to our Board to improve the health and safety of workers of our Group;
- vi. to make recommendations on review measures to our Board to monitor the safety policy, procedures and systems of our Group;
- vii. to ensure compliance with the requirements of the publication of financial information of our Group in accordance with the Listing Rules;
- viii. to develop, review and monitor the codes of conduct applicable to employees and Directors;
- ix. to ensure that key employees have been trained on the details of our Company's internal control procedure manual and the relevant safety policies;
- x. to review our Company's compliance with the CG Code and the Environmental, Social and Governance ("ESG") Reporting Guide set out in the Listing Rules;
- xi. to review the annual corporate governance report and ESG report for our Board's consideration and approval for disclosure;

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- xii. to prepare and submit a summary report every half-yearly to our Board on the overall compliance performance and corporate governance practice of our Group;
- xiii. together with our company secretary, to ensure continuous training is provided to our Directors and senior management after Listing on their continuous duties and obligations under the Listing Rules; and
- xiv. to review our Company's compliance with the Employment Ordinance and to make recommendations on review measures for our Board's consideration and approval.

Further, we will employ two safety officers within six months after Listing. The primary functions of the safety officers will be to observe the formwork works services undertaken by our Group in order to ensure our site workers are in compliance with the applicable safety policies, procedures and regulations, and to stop any unsafe operation or activity at the construction site.

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 following the abovementioned non-compliances, there are proper and sufficient internal control measures being put in place to prevent occurrence of safety-related and other relevant non-compliance incidents going forward.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there was no other non-compliance incident which constituted material non-compliance or systemic non-compliance, and our Group had obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them were in force as at the Latest Practicable Date.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – 8. Tax and other indemnities" in Appendix IV to this prospectus.

Views of our Directors and the Sponsor

Our Directors consider that the abovementioned non-compliance incidents (including the systemic non-compliance incidents) would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account (i) the non-compliance incidents in relation to safety generally arose because of the inadvertent oversight of our former safety officer and our workers did not follow the safety guidelines of our Group, and our Safety Adviser is of the view that the implemented safety management aspects of our Enhanced Internal Control Measures have further strengthened our Group's safety management system and are adequate to prevent the re-occurrence of similar non-compliances; (ii) the non-compliance incidents in relation to the MPFSO and the IRO because of the inadvertent oversight of our administrative personnel and unfamiliarity of the relevant requirements, and our Tax Adviser is of the view that the MPFSO and the IRO related measures implemented by our Company have further strengthened our Group's MPF and tax management system in order to prevent re-occurrence of similar non-compliances effectively; (iii) the one-off non-compliance incident in relation to the Employment Ordinance was due to an unintentional miscommunication on the part of Temmex, and our Directors are of the view that the improved contracts negotiation and review protocol as well as the implemented payroll monitoring and reporting aspects of our Enhanced Internal Control Measures have further strengthened our Group's review system and are adequate to prevent the re-occurrence of similar non-compliances; (iv) the non-compliance incidents did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; (v) our Legal Counsel advised that there is no implication on the suitability of our Directors to act as directors of our Company; (vi) our Directors have adopted the Enhanced Internal Control Measures as set out above and have implemented the recommendations by our Safety Adviser to further strengthen our Group's safety management system; and (vii) since the implementation of the Enhanced Internal Control Measures, there were no similar non-compliance incidents which occurred subsequent to such implementation, our Directors are of the view, and the Sponsor concurs, that the Enhanced Internal Control Measures adopted by our Group are adequate and effective to prevent re-occurrence of the non-compliance incidents. Besides, the Sponsor considered that the non-compliance incidents do not reflect a material defect in the character, integrity or experience of our Directors and their suitability to act as our Directors under Rules 3.08 and 3.09 of the Listing Rules. Furthermore, given the non-compliance incidents did not and will not have any material and/or financial impact on our Group, the insignificant aggregate amount of the fines, as well as the Deed of Indemnity given in favour of us by our Controlling Shareholders, our Directors are of the view, and the Sponsor concurs, that the non-compliance incidents do not affect our suitability for Listing under Rule 8.04 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option) and the Capitalisation Issue, Sky Mission, a company wholly-owned by Mr. Leung, will directly hold 75% of the total number of issued Shares.

For the purpose of the Listing Rules, each of Mr. Leung and Sky Mission is our Controlling Shareholder on the following bases:

1. Sky Mission is entitled to exercise 30% or more of the voting power at general meetings of our Company; and
2. Mr. Leung holds 100% interest in Sky Mission and so controls the voting power of Sky Mission in our Company.

RULE 8.10 OF THE LISTING RULES

As at the Latest Practicable Date, none of our Controlling Shareholders, Directors or their respective close associates controlled any business which competes, or is likely to compete, either directly or indirectly, with our business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after Listing.

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

(i) Management independence

Our Board comprises four executive Directors, one non-executive Director and four independent non-executive Directors. None of our Directors has any interest in any business which competes or is likely to compete with our business. Our Board and senior management operate independently from our Controlling Shareholders, and they are in a position to fully discharge their duties to our Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Group and to avoid any conflict between his duties as a Director and his personal interest. If there is a potential conflict of interest arising out of any transaction to be entered into between our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted towards the quorum. In addition, our independent non-executive Directors will bring independent judgement to the decision-making process of our Board.

In addition, our Group has adopted certain corporate governance measures for prevention of conflicts in order to safeguard the interests of our Shareholders as a whole. Having considered the above factors, our Directors are satisfied that our Board as a whole, together with our senior management team, are able to perform the managerial roles in our Group independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders (including their respective close associates) after Listing.

(ii) Operational independence

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. Our Group has established our own organisational structure comprising individual departments, each with specific responsibilities, including project management, quantity surveying, safety supervisor, human resources and administration, and finance and accounting. We have independent access to sources of suppliers, subcontractors and customers. We hold all licences necessary to carry on our business. Our Group has also established a set of internal control measures to facilitate the effective operations of our business.

As at the Latest Practicable Date, we leased and will, after Listing, continue to lease one property from three connected persons, namely, Ms. Fung Yuk Lin, Mr. Liang Ren Chueen and Mr. Cheung Kit Hung, and an Independent Third Party (collectively, the “**Landlords**”), details of which are set out in the paragraph headed “Transaction entered into before Listing which would otherwise constitute a connected transaction” in this section. Our Directors do not consider there to be any material reliance on our close associates in this regard as (i) the terms of the Tenancy Agreement (hereinafter defined) entered into between our Group and the Landlords were determined after arm’s length negotiations between the parties thereto, and fair and reasonable; and (ii) the transactions contemplated thereunder were on normal commercial terms or better and in our Group’s ordinary and usual course of business. We have been leasing such property from the Landlords under the previous tenancy agreement from 1 November 2016 to 31 August 2019, due to the property’s close proximity to our Group’s head office. Afterwards, our Group entered into the new Tenancy Agreement (hereinafter defined) to continue leasing such property from the Landlords, and we currently do not, and in a foreseeable future will not, have any plans to relocate to an alternative property, which we believe is in the interests of our Company and our Shareholders as a whole in terms of costs, time and operational stability. Meanwhile, we believe that in the event that such connected persons cease to lease the property to us, we would be able to find suitable alternatives from lessors who are Independent Third Parties without undue delay or inconvenience incurred to the operations of our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Save as disclosed above, there was no business transaction between our Group on one part and the Controlling Shareholders and/or their respective close associates on the other part as at the Latest Practicable Date. Considering the operation status of our Group, our Directors are of the view that there is no operational dependence on our Controlling Shareholders or their respective close associates.

(iii) Financial independence

We have our own internal control and accounting systems, accounting and finance department and independent treasury for processing cash receipts and payments, and we make financial decisions according to our own business needs.

During the Track Record Period, there were certain amounts due to Mr. Leung, details of which are set out in the paragraph headed “Financial information – Amount due to Mr. Leung” in this prospectus. The total amount due to Mr. Leung as at 31 March 2020 amounted to approximately HK\$0.2 million. Our Directors confirmed that such amount will be fully settled prior to Listing.

As at the Latest Practicable Date, a member of our Group was provided with bank loan facilities secured by personal guarantees provided by, among others, Mr. Leung. Our Directors confirmed that the said personal guarantees will be fully released and replaced by corporate guarantees to be provided by a member of our Group upon Listing.

Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

TRANSACTION ENTERED INTO BEFORE LISTING WHICH WOULD OTHERWISE CONSTITUTE A CONNECTED TRANSACTION

We have entered into the following transaction with the Landlords, three of whom will, upon Listing, become our connected persons. This transaction was entered into before Listing and is accounted for as one-off in nature under HKFRS 16 “Leases”. If this transaction was entered into after Listing, such transaction would have constituted a connected transaction for our Group. Details of the transaction are set out below in order to facilitate potential investors to anticipate that we have, before Listing, entered into a transaction which would otherwise be considered as a connected transaction should our Company be listed on the Stock Exchange at the time of the transaction.

Connected persons

Upon Listing, Ms. Fung Yuk Lin, Mr. Liang Ren Chueen and Mr. Cheung Kit Hung, who, together with an Independent Third Party, have entered into the following tenancy agreement with our Group, will be our connected persons. Ms. Fung Yuk Lin is the spouse of Mr. Leung, and the mother of Mr. WC Leung and Mr. WH Leung. Accordingly, she being an immediate family member and hence an associate of Mr. Leung, and being a family member and hence an

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

associate of each of Mr. WC Leung and Mr. WH Leung, will be a connected person of our Company under Rules 14A.07 and 14A.12 of the Listing Rules. Mr. Liang Ren Chueen is a brother of Mr. Leung. Accordingly, he being a family member and hence an associate of Mr. Leung, will be a connected person of our Company under Rules 14A.07 and 14A.12 of the Listing Rules. Mr. Cheung Kit Hung is one of our executive Directors. Accordingly, he will be a connected person of our Company under Rule 14A.07 of the Listing Rules.

Tenancy agreement

On 3 September 2019, Kennex as tenant (the “**Tenant**”) entered into a storage and ancillary office tenancy agreement (the “**Tenancy Agreement**”) with the Landlords. The principal terms of the Tenancy Agreement are set out below:

Date of agreement	3 September 2019
Parties	The Landlords; and the Tenant
Premises and approximate gross floor area	Lot No. 1195 in D.D.119 off Kung Um Road, Yuen Long, New Territories, Hong Kong with a site area of approximately 20,054.4 sq. ft. (1,863.1 sq. m.) (the “ Premises ”)
Term of lease	Three years commencing on 1 September 2019 and expiring on 31 August 2022 (both days inclusive)
Rental and payment terms	HK\$40,000 per month
Use	Open storage of construction materials and ancillary office
Termination	Any party shall be entitled to terminate the Tenancy Agreement by serving not less than three (3) months’ written notice to the other party

Reasons for the transaction

Due to the location of the Premises which is within close proximity to our head office, as well as its suitability for usage as open storage of construction materials, we believe that this transaction is in the interests of our Company and our Shareholders as a whole in terms of cost, time and maintaining operational stability.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Pricing and payments

With reference to comparable evidences as available in the relevant market, the rental in respect of the Premises is comparable to the market level of similar properties in the vicinity at the time and is fair and reasonable. Access Partner Consultancy and Appraisals Limited, an independent property valuer, has confirmed that the rental under the Tenancy Agreement is fair and reasonable, and comparable to the prevailing market rents for similar premises in the vicinity.

Historical amounts

During the Track Record Period, the historical rental expenses paid by our Group to the Landlords in respect of the Premises were approximately HK\$200,000, HK\$480,000, HK\$480,000 and HK\$480,000, respectively.

Estimated value of the right-of-use assets

Pursuant to HKFRS 16, our Group is required to recognise a right-of-use asset representing its right to use for the underlying leased assets in relation to the Tenancy Agreement. Based on the information currently available to our Company, the estimated value of the right-of-use asset in respect of the Tenancy Agreement is approximately HK\$1,335,000.

Listing Rules implications

Pursuant to HKFRS 16, the entering into of the Tenancy Agreement as a lessee will require our Group to recognise the Premises under the Tenancy Agreement as the right-of-use-asset in our combined statements of financial position. The entering into of the Tenancy Agreement with a fixed term and the transaction contemplated thereunder will be regarded as a one-off acquisition of capital asset for the purpose of the Listing Rules. As the Tenancy Agreement was entered into prior to Listing and the transaction thereunder is one-off in nature, the payment of rental contemplated thereunder will not be classified as a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transaction under the Tenancy Agreement will not be subject to any of the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that there is any material change to the terms and conditions of the Tenancy Agreement, we shall comply with the Listing Rules as and when appropriate, including, where required, seeking independent Shareholders' approval prior to effectuating such change.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of nine Directors, comprising four executive Directors, one non-executive Director and four independent non-executive Directors. The following table sets out certain information in respect of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Major roles and responsibilities	Relationship with other Directors or senior management
Mr. Leung Yam Cheung (梁任祥) (formerly known as Leung Wah Fei (梁華飛))	62	December 1998	31 May 2019 ^{Note}	Chairman and executive Director	Formulation of the overall development strategies and business plans, and overseeing the general management and daily operations of our Group	Father of Mr. WH Leung and Mr. WC Leung
Mr. Cheung Kit Hung (張傑鴻)	44	July 2001	4 November 2019	Executive Director and chief executive officer	Overseeing of the sales, quantity surveying and the client communication functions of our Group	N/A
Mr. Leung Wing Hoi (梁榮海)	39	November 2017	4 November 2019	Executive Director	Overseeing the overall management of the computer and system design functions of our Group	Son of Mr. Leung and brother of Mr. WC Leung
Mr. Leung Wing Chun (梁榮進)	35	June 2013	4 November 2019	Executive Director	Overseeing the overall project management and the operations of the business of our Group	Son of Mr. Leung and brother of Mr. WH Leung

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Major roles and responsibilities	Relationship with other Directors or senior management
Mr. Yau Sheung Hang (丘尚衡) (formerly known as Yau Ngan Fei (邱雁飛))	46	4 November 2019	4 November 2019	Non-executive Director	Providing strategic advice to our Board	N/A
Mr. Ng Lin Fung (吳連烽)	79	7 September 2020	7 September 2020	Independent non-executive Director	Supervision and provision of independent judgement to our Board	N/A
Mr. Lam Kwong Siu (林廣兆)	86	4 November 2019	4 November 2019	Independent non-executive Director	Supervision and provision of independent judgement to our Board	N/A
Mr. Chu Hau Lim (朱孝廉)	54	7 September 2020	7 September 2020	Independent non-executive Director	Supervision and provision of independent judgement to our Board	N/A
Mr. Leung Ka Ho Raymond (梁家浩)	52	7 September 2020	7 September 2020	Independent non-executive Director	Supervision and provision of independent judgment to our Board	N/A

Note: Mr. Leung was re-designated as our executive Director on 4 November 2019.

Executive Directors

Mr. Leung Yam Cheung (梁任祥) (formerly known as Leung Wah Fei (梁華飛)) (“**Mr. Leung**”), aged 62, is our chairman and executive Director. He was appointed as our Director on 31 May 2019 and re-designated as our executive Director on 4 November 2019. Mr. Leung is primarily responsible for formulating the overall development strategies and business plans, and overseeing the general management and daily operations of our Group. Mr. Leung has been

DIRECTORS AND SENIOR MANAGEMENT

serving as a director of all our operating subsidiaries, including Temmex, Temmex Brothers and Kennex, since December 1998, October 2008, and March 2015, respectively.

Mr. Leung commenced working as a formwork works apprentice and has gained extensive working experience. Eventually, he started carrying out the business of our Group through Temmex, Temmex Brothers and Kennex. Please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus for more details.

Mr. Leung attended primary school in Shenzhen, China.

Mr. Leung is the father of Mr. WH Leung and Mr. WC Leung.

Mr. Leung was a director of the following companies each of which was incorporated with limited liability and was dissolved by way of deregistration. As confirmed by Mr. Leung, each of the following companies was solvent and inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Company name	Place of incorporation/ establishment	Nature of business before dissolution	Nature of proceeding	Date of dissolution
Temmex Brothers (Macau) Engineering Limited	Macau	Dormant	Dissolved by deregistration under the Commercial Code of Macau	30 August 2019
Everbest Construction Limited	Hong Kong	Dormant	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	18 May 2012

Mr. Cheung Kit Hung (張傑鴻) (“Mr. Cheung”), aged 44, was appointed as our Director and chief executive officer and re-designated as our executive Director on 4 November 2019. Mr. Cheung is primarily responsible for overseeing the sales, quantity surveying and the client communication functions of our Group.

Mr. Cheung first joined our Group as a quantity surveyor of Temmex since July 2001. He has further been appointed as an operation manager of each of Temmex Brothers since April 2006 and Kennex since March 2015. Mr. Cheung has also been serving as a director at each of Temmex since October 2010 and Temmex Brothers since July 2017.

Prior to joining our Group, Mr. Cheung accumulated over three years of experience in the sales of construction equipment in Hong Kong. In this regard, he worked at Advance Equipment Services (Hong Kong) Limited as a sales representative from September 1997 to February 2000,

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a company principally engaged in the design, manufacture and erection of steel scaffolding. Mr. Cheung then worked as a sales supervisor at RMD Hong Kong Limited (renamed as RMD Kwikform Hong Kong Limited in November 2000) from April 2000 to July 2001, a company principally engaged in the provision of formwork works, falsework and shoring solutions to the global construction industry.

Mr. Cheung obtained a certificate of completion in the general course for clerks of works from the Hong Kong College of Technology in June 2002. Mr. Cheung passed the examination in the training course on safety management for managers and obtained a certificate of completion from the Hong Kong Productivity Council in September 2002. Mr. Cheung further obtained his Higher Certificate in Building Studies (part-time) from The Vocational Training Council of the Hong Kong Institute of Vocational Education in Hong Kong in July 2004.

Mr. Leung Wing Hoi (梁榮海) (“Mr. WH Leung”), aged 39, was appointed as our Director and re-designated as our executive Director on 4 November 2019. Mr. WH Leung is mainly responsible for overseeing the computer and system design functions of our Group.

Mr. WH Leung first joined our Group as an operation manager of each of Temmex and Temmex Brothers in November 2017, worked until March 2018, and has then rejoined our Group with the same positions since November 2018.

Mr. WH Leung has over 14 years of experience in the digital media and information technology industry. In this regard, Mr. WH Leung began his career as a junior designer at iConcept Design & Multimedia Co. Limited from June 2004 to August 2004 and i010.com (International) Limited from August 2004 to August 2005. Mr. WH Leung later worked at PacificLink iMedia Limited from October 2006 to July 2015, with his last position being an associate creative director. Mr. WH Leung also enjoyed a short stint at Pixa Punch Limited as a creative director from July 2015 to March 2016. Mr. WH Leung served as a creative director of each of Accenture Plc from April 2016 to November 2017 and As One Interactive Limited from April 2018 to April 2019.

Mr. WH Leung obtained his bachelor of arts degree (visual communication) majoring in digital media from the KvB Institute of Technology (now known as the Raffles College of Design and Commerce) in Australia in July 2005.

Mr. WH Leung is a son of Mr. Leung and a brother of Mr. WC Leung.

Mr. Leung Wing Chun (梁榮進) (“Mr. WC Leung”), aged 35, was appointed as our Director and re-designated as our executive Director on 4 November 2019. Mr. WC Leung is mainly responsible for overseeing the overall project management and the operations of the business of our Group.

Mr. WC Leung underwent his apprenticeship as a personal assistant to Mr. Leung from July 2002 to May 2013. Mr. WC Leung then joined our Group as a project manager of Temmex since June 2013, and is primarily responsible for overseeing and supervising various projects of

DIRECTORS AND SENIOR MANAGEMENT

Temtex and acts as the key point of contact at work sites. After four years of training as a project manager, he was promoted and has been a director of Temtex Brothers since July 2017.

Mr. WC Leung obtained his Certificate of Safety Supervisor (Construction Industry) issued by Origin Production Limited trading as The Hong Kong Safety Training Association in April 2007.

Mr. WC Leung is a son of Mr. Leung and a brother of Mr. WH Leung.

Non-executive Director

Mr. Yau Sheung Hang (丘尚衡) (formerly known as Yau Ngan Fei (邱雁飛)) (“**Mr. Yau**”), aged 46, was appointed as our Director and re-designated as our non-executive Director on 4 November 2019. Mr. Yau is mainly responsible for providing strategic advice to our Board.

Mr. Yau has gained over 12 years of experience in audit, tax, accounting and company secretarial matters. In this regard, he worked as an audit clerk at Simon Choy & Co. from May 2009 to March 2013 and a senior audit manager at W.H. Shum & Co. from November 2017 to November 2018. He is a shareholder (who owns as to 50%) and has been a director of Charmway Strategic Limited (formerly known as Global Prospect Limited, which was the former company secretary of each of (i) Temtex from October 2010 to August 2018; (ii) Temtex Brothers from October 2008 to August 2018; and (iii) Kennex from March 2015 to January 2019) since June 2007 and the sole director of Harold Accounting Services Limited since April 2016.

Mr. Yau obtained his bachelor of arts degree in translation from the Lingnan College Hong Kong (now known as the Lingnan University) in November 1997, and his master of science degree in professional accounting and corporate governance from the City University of Hong Kong in February 2009. Mr. Yau has been a member of the Hong Kong Institute of Certified Public Accountants since October 2017.

Mr. Yau was a director of the following company, which was incorporated in Hong Kong with limited liability and was dissolved by way of deregistration. As confirmed by Mr. Yau, the following company was solvent and inactive at the time it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Company name	Nature of business before dissolution	Nature of proceeding	Date of dissolution
Laos and Overseas Services Association Limited	Dormant	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance	29 March 2019

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Ng Lin Fung (吳連烽) (“Mr. Ng”), aged 79, was appointed as an independent non-executive Director on 7 September 2020. He is responsible for the supervision and provision of independent judgement to our Board.

Mr. Ng has over 50 years of experience in the banking and finance industry in Hong Kong. He worked at Nanyang Commercial Bank in Hong Kong from 1965 to 1999, with his last position being a deputy general manager. Mr. Ng has been the chairman of International Po Fung Finance Holdings Limited since 1999.

Mr. Ng has held and currently holds advisory positions in various institutions. In this regard, he (i) was the Hong Kong affairs adviser to each of the Hong Kong and Macao Affairs Office of the State Council and Xinhua News Agency (Hong Kong Branch) on Hong Kong affairs between 1995 to 1997; (ii) was a committee member of each of the 6th, 7th and 8th of the Fujian Province Committee of the Chinese People’s Political Consultative Conference between 1992 to 2001; (iii) has been a member of the Election Committee of the Hong Kong Special Administrative Region of the National People’s Congress since 1998; (iv) was the president and has been an honorary president of the Hong Kong Chinese Importers’ & Exporters’ Association from 1995 to 1998 and since 1999, respectively; (v) was a committee member and has been an honorary committee member of The Chinese General Chamber of Commerce, Hong Kong from 1999 to 2014 and since 2015, respectively; and (vi) has been the president of The Hong Kong Chi Tung Association Limited since 2017.

Mr. Ng attended the Beijing Institute of Physical Education (now known as the Beijing Sport University), majoring in physical education theory, from 1961 to 1962.

Mr. Ng was a director of the following companies each of which was incorporated in Hong Kong with limited liability and was dissolved by way of deregistration or striking off. As confirmed by Mr. Ng, each of the following companies was solvent and inactive at the time it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Company name	Nature of business before dissolution	Nature of proceeding	Date of dissolution
Fukien Education Centre Limited	Education service	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance	8 September 2017
The Global Foundation of Distinguished Chinese Limited	Non-profit making	Dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance	17 June 2011

DIRECTORS AND SENIOR MANAGEMENT

Company name	Nature of business before dissolution	Nature of proceeding	Date of dissolution
China and Regions ETTEL Services Limited	Business service	Dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance	10 July 2009

Mr. Lam Kwong Siu (林廣兆) (“Mr. Lam”), aged 86, was appointed as an independent non-executive Director on 4 November 2019. He is responsible for the supervision and provision of independent judgement to our Board.

Mr. Lam has over 15 years of experience in the banking sector in Hong Kong. In this regard, he has been a non-executive director of Bank of China International Limited (formerly known as BOCI Capital Limited) since July 2002 and the vice chairman of BOC International Holdings Limited since October 2001.

Mr. Lam has been an independent non-executive director of each of (i) Fujian Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 181) since December 2003; (ii) Xinyi Glass Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 868) since August 2004; (iii) Yuzhou Properties Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1628) since October 2009; and (iv) Far East Consortium International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 35) since September 2011. Mr. Lam was also an independent non-executive director of CITIC International Financial Holdings Limited, a company formerly listed on the Main Board of the Stock Exchange (stock code: 183) from September 1996 to November 2008, Vico International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1621) from January 2018 to April 2019, and China Overseas Land & Investment Limited, a company listed on the Main Board of the Stock Exchange (stock code: 688) from September 2003 to June 2020.

Mr. Lam was awarded the Silver Bauhinia Star (SBS) in 2003 and the Gold Bauhinia Star (GBS) in 2016 by the Government. Mr. Lam was also a deputy of the 10th National People’s Congress from 2003 to 2008, and has been the honorary chairman of the Hong Kong Federation of Fujian Associations Limited since 2009, the life honorary chairman of the Hong Kong Fukien Chamber of Commerce since 2011, the vice chairman of the Fujian Hong Kong Economic Co-operation since 2007, the life honorary chairman of The Chinese General Chamber of Commerce since 2008, an adviser to the Hong Kong Chinese Enterprises Association since 2008 and the honorary president of The Chinese Bankers Club of Hong Kong since 1992.

Mr. Lam was a director of the following companies, each of which was incorporated in Hong Kong with limited liability and was dissolved by way of deregistration. As confirmed by Mr. Lam, each of the following companies was solvent and inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not

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aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Company name	Nature of business before dissolution	Nature of proceeding	Date of dissolution
Asia Humanity Foundation Limited	Non-profit making	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance	8 June 2018
Fukien Education Centre Limited	Education service	Dissolved by deregistration pursuant to section 751 of the Companies Ordinance	8 September 2017

Mr. Chu Hau Lim (朱孝廉) (“Mr. Chu”), aged 54, was appointed as an independent non-executive Director on 7 September 2020. He is responsible for the supervision and provision of independent judgement to our Board.

Mr. Chu has over 28 years of experience in professional auditing, consulting, corporate accounting and financial management. In this regard, Mr. Chu worked at Byrne & Co. from October 1988 to March 1990, with his last position being an audit semi-senior. Mr. Chu then worked at Fan, Mitchell & Co. from July 1992 to May 1996, with his last position being a senior audit manager. From October 1996 to February 2006, Mr. Chu worked at PricewaterhouseCoopers, with his last position being a senior manager of the assurance division. Mr. Chu also worked as the chief financial officer of Agile Property Holdings Limited (now known as Agile Group Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 3383) from July 2006 to January 2011 and G.T. Land Holdings Limited from February 2011 to March 2012. Mr. Chu was an executive director and the chief financial officer of Greenland Hong Kong Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 337) (formerly known as SPG Land (Holdings) Limited) from April 2012 to October 2012. Mr. Chu was an executive director of SQ Technology Holdings Limited, a company listed on the Taipei Exchange (stock code: 3219) from October 2015 to October 2016. Mr. Chu was the chief financial officer from October 2016 to August 2018, the company secretary as well as an authorised representative, both from February 2017 to July 2018, of Ta Yang Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1991). He was an independent non-executive director of Power Financial Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 397) from September 2017 to April 2020. He has been the chief financial officer of TFG International Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 542) since September 2018.

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Mr. Chu obtained his master of business administration (MBA) degree at the Heriot-Watt University in the United Kingdom in July 1997. Mr. Chu has been a member of the HKICPA since January 1991, and was an associate of The Chartered Association of Certified Accountants (now known as the Association of Chartered Certified Accountants) from October 1990 to October 1995, and has then been a fellow of The Chartered Association of Certified Accountants since October 1995.

Mr. Chu was a director of the following company which was incorporated in Hong Kong with limited liability and was dissolved by way of deregistration. As confirmed by Mr. Chu, the following company was solvent and inactive at the time it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Company name	Nature of business before dissolution	Nature of proceeding	Date of dissolution
H L Chu Management Consultants Limited	Management consultants	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	4 June 2004

Mr. Leung Ka Ho Raymond (梁家浩) (“Mr. Leung KH”), aged 52, was appointed as an independent non-executive Director on 7 September 2020. He is responsible for the supervision and provision of independent judgment to our Board.

Mr. Leung KH has over 31 years of experience in the construction industry and possesses extensive knowledge in planning and managing construction projects of various nature. Mr. Leung KH is currently an executive director, the chairman and the chief executive officer of Chi Ho Development Holdings Limited, a company principally engaged in renovation, maintenance, alteration and addition works and fitting-out works services in Hong Kong, and a company listed on GEM of the Stock Exchange (stock code: 8423).

Mr. Leung KH worked initially as a trainee quantity surveyor and was promoted to assistant quantity surveyor in Shui On Building Contractors Limited from January 1989 to June 1990. He was then employed as an assistant quantity surveyor and was promoted to quantity surveyor from June 1990 to September 1991 in Maeda Corporation where his duties included quantity surveying works, tendering works and civil engineering measurement works. From August 1992 to September 1993, he was employed by Wecon Limited initially as an assistant site agent and was promoted to site agent. From November 1994 to March 1996, he joined Laws Real Estate Agency Limited as an assistant project manager where he took lead of building development, ongoing maintenance, re-fitting-out and renovation projects from the conceptual design to implementation. For the period from July 1996 to September 1998, Mr. Leung KH worked initially as a project manager and was promoted to contracts manager in Wang On Construction Company Limited where his responsibilities included, among other things, taking up project management, monitoring site progress and control and coordination among subcontractors. He

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then joined Tat Hing Construction Company Limited in September 1998 as a director and resigned in April 2002. From August 1998 to August 2002, Mr. Leung KH also joined Lee Shing Yue Construction Company Limited initially as a project manager and was then elected as a technical director where his duties included, among others, overall contract administration and project management.

Mr. Leung KH obtained his higher diploma in building from City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in November 1991 and a bachelor's degree of science in building from the South Bank University in the United Kingdom in June 1992. Mr. Leung KH obtained his master's degree of science in architecture from the University College London in the United Kingdom in March 1995.

Mr. Leung KH has been a member of Australian Institute of Building since March 2001, a member of the Chartered Institute of Building since July 2002, a member of the Hong Kong Institute of Construction Managers (previously known as Hong Kong Institute of Builders) since April 2007, and a member of the Contractor's Authorised Signatory Association Limited since December 2008. Mr. Leung KH had served in Government body. For the period from January 2011 to December 2012, Mr. Leung KH was appointed by the Building Authority as a member of Minor Works Contractors Registration Committee Panel.

Mr. Leung KH was a director of the following companies, each of which was incorporated in Hong Kong with limited liability and was dissolved by way of deregistration, striking off or creditors' voluntary winding up. As confirmed by Mr. Leung KH, save for Lee Shing Yue Construction Company Limited ("**Lee Shing Yue**"), each of the following companies was solvent and inactive at the time it was dissolved and there was no wrongful act on his part leading to the following dissolutions, and he was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolutions.

Company name	Nature of business before dissolution	Nature of proceeding	Date of dissolution
Lee Shing Yue (<i>Note</i>)	Construction business	Dissolved by creditor's voluntary winding up pursuant to section 228A of the Predecessor Companies Ordinance	12 February 2019
Clearview Profit Limited	Property holding	Dissolved by striking off pursuant section 291 of Predecessor Companies Ordinance	9 November 2012
Lee Shing Yue Renovation Company Limited	Construction business	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	28 March 2008

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Company name	Nature of business before dissolution	Nature of proceeding	Date of dissolution
Po Wo Construction (International) Company Limited	Never commenced business	Dissolved by striking off pursuant to section 291 of Predecessor Companies Ordinances	10 March 2006
Top Achievement Development Company Limited	Never commenced business	Dissolved by striking off pursuant to section 291 of Predecessor Companies Ordinance	16 January 2004

Note: Mr. Leung KH was a director of Lee Shing Yue. Lee Shing Yue was a private limited Hong Kong company incorporated in January 1969 which was principally engaged in the construction business. In April 2002, it was adjudged by the High Court of Hong Kong in a contractual dispute case between Lee Shing Yue, being a main contractor, and a contractor that Lee Shing Yue should pay, inter alia, a sum of HK\$14,320,353 and other sums such as outstanding certified payment, interests and costs. In the course of the appeal against the judgment, the court dismissed Lee Shing Yue's application for a stay of execution of the judgment and the contractor therefore commenced enforcement of the judgment and seized Lee Shing Yue's business bank accounts and assets. As a result, the then board of directors of Lee Shing Yue considered that under such circumstances, Lee Shing Yue could no longer be able to continue its business. On 10 August 2002, a director of Lee Shing Yue filed a statutory declaration with the Companies Registry pursuant to section 228A of the Predecessor Companies Ordinance as the directors were of the opinion that Lee Shing Yue could not by reason of its liabilities continue its business and it was necessary that Lee Shing Yue be wound up. On 16 August 2002, a petition for the winding up of Lee Shing Yue was filed by the contractor in court.

Mr. Leung KH confirmed that (i) he did not have any shareholding interest in Lee Shing Yue during and after his employment with Lee Shing Yue; (ii) he was not involved in the financial aspect of Lee Shing Yue during his employment with Lee Shing Yue; and (iii) the dissolution of Lee Shing Yue has not resulted in any liability or obligation imposed against him.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in the section headed "Substantial Shareholders" and in the paragraph headed "D. Further information about our Directors, management, staff and substantial Shareholders" in Appendix IV to this prospectus, each of our Directors has confirmed that as at the Latest Practicable Date, he had no interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, each of our Directors has confirmed that as at the Latest Practicable Date, (i) he was independent from, and was not related to, any other Directors, members of the senior management, substantial Shareholders or Controlling Shareholders; (ii) he had not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iii) there was no other information which was required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment.

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SENIOR MANAGEMENT

The following table sets forth certain information in respect of the senior management of our Group:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Major roles and responsibilities	Relationship with other Directors or senior management
Mr. Chung Chun Piu (鍾振彪)	65	December 1998	December 1998	Project manager	Overseeing and monitoring of projects, operations and on-site staff training and safety	N/A
Mr. Cheung Kwai Tsuen (張桂全)	62	December 1998	December 1998	Project manager	Overseeing and monitoring of projects, operations and on-site staff training and safety	N/A
Mr. Luk Chun Yip (陸俊業)	28	November 2018	November 2018	Contracts and estimating manager	Overseeing tender submissions and providing contractual advices on project management and cost control	N/A
Mr. Yuen Kam Fai (袁錦輝)	29	November 2015	January 2019	Quantity surveying manager	Overseeing the contractual and financial aspects of construction projects as well as the follow-up actions involved	N/A
Mr. Hui Siu Wing (許少榮)	34	October 2019	October 2019	Financial controller	Overseeing and supervising the financial reporting functions of our Group	N/A

Mr. Chung Chun Piu (鍾振彪) (“Mr. Chung”), aged 65, is a project manager of our Group. He is mainly responsible for overseeing and monitoring projects, operations, on-site staff training as well as the supervision of employees’ overall on-site safety, and for providing advice to our project tendering team during the tender process including formwork designs and quality control matters of our projects.

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Mr. Chung joined our Group as a project manager and a director of Temmex since December 1998. He also was a director of Temmex Brothers from October 2008 to July 2017 and has been a project manager of Temmex Brothers since October 2008.

Mr. Chung commenced working as a formwork works apprentice in 1979 and has gained nearly 40 years of working experience in the formwork works industry.

Mr. Chung completed primary education in Huizhou, China in 1970.

Mr. Cheung Kwai Tsuen (張桂全) (“Mr. KT Cheung”), aged 62, is a project manager of our Group. He is mainly responsible for overseeing and monitoring projects, operations, on-site staff training as well as the supervision of employees’ overall on-site safety, and for providing advice to our project tendering team during the tender process including formwork designs and quality control matters of our projects.

Mr. KT Cheung first joined our Group as a project manager of Temmex since December 1998 and has also been a project manager of Temmex Brothers since October 2008.

Mr. KT Cheung commenced working as a formwork works apprentice in 1979 and has gained nearly 40 years of working experience in the formwork works industry.

Mr. KT Cheung completed primary education in Shenzhen, China in July 1972.

Mr. Luk Chun Yip (陸俊業) (“Mr. Luk”), aged 28, is a contracts and estimating manager of our Group. He is mainly responsible for overseeing the tender submissions and providing contractual advices on project management and cost control to our Group.

Mr. Luk first joined our Group as a contracts and estimating manager of Temmex since November 2018.

Mr. Luk has over seven years of experience in quantity surveying and contracts management. Prior to joining our Group, he worked at Leighton Contractors (Asia) Limited from July 2013 to July 2017, with his last position being a project quantity surveyor. He also worked at Turner & Townsend Limited as a cost manager from September 2017 to November 2018.

Mr. Luk obtained his bachelor of science in building engineering and management at The Hong Kong Polytechnic University in October 2013. He has been a member of The Hong Kong Institute of Surveyors since March 2017. He has also been a registered professional surveyor (quantity surveying) with the Surveyors Registration Board since July 2018.

Mr. Yuen Kam Fai (袁錦輝) (“Mr. Yuen”), aged 29, is a quantity surveying manager of our Group. He is mainly responsible for overseeing the contractual and financial aspects of construction projects as well as the follow-up actions involved.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yuen first joined our Group as an assistant quantity surveyor of Temmex since November 2015, and was then being promoted to a quantity surveyor in January 2018. He has further been promoted to a quantity surveying manager since January 2019.

Mr. Yuen has over five years of experience in electronic engineering and quantity surveying. He worked at Simatelex Industrial Company International Limited as an electronic engineer from May 2014 to May 2015.

Mr. Yuen obtained his bachelor of engineering in electronic and communication engineering at the City University of Hong Kong in July 2014.

Mr. Hui Siu Wing (許少榮) (“Mr. Hui”), aged 34, is the financial controller of our Group. Mr. Hui joined our Group as the financial controller in October 2019. He is mainly responsible for overseeing and supervising the financial reporting functions of our Group.

Mr. Hui has over eight years of working experience in professional audit and financial management. In this regard, he worked as a semi senior auditor at Li, Tang, Chen & Co. from 2010 to 2011. From 2012 to 2015, Mr. Hui worked at Moore Stephens Associates Limited (now known as Moore Associates Limited), with his last position being a supervising senior auditor. Mr. Hui also worked as a finance manager at Hosa International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2200) from August 2015 to July 2018 and at Ta Yang Group Holding Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1991) from October 2018 to September 2019.

Mr. Hui obtained his bachelor of commerce in accounting at the Hong Kong Shue Yan University in July 2010. He has been a member of the Association of Chartered Certified Accountants since May 2017.

Each member of our senior management has confirmed that (i) he had not held any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (ii) he had no relationship with any Director, members of the senior management, substantial Shareholders or Controlling Shareholders which need to be brought to the attention of our Shareholders.

COMPANY SECRETARY

Ms. Teh Lai Ching (鄭麗晶) (“Ms. Teh”), aged 48, was appointed as the company secretary of our Company on 4 November 2019. She is mainly responsible for the general secretarial affairs of our Company.

Ms. Teh has over 20 years of experience in company secretarial work in international firms and listed companies in Hong Kong. She gained extensive knowledge and experience in corporate governance, regulatory compliances and other general commercial matters. Ms. Teh is currently a company secretary of a company listed on the Main Board of the Stock Exchange since her appointment in August 2020.

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Ms. Teh obtained her higher certificate in company secretaryship and administration in October 1995 from The Hong Kong Polytechnic University. She later obtained her master of business administration from the University of Strathclyde in Glasgow, Scotland in July 1999 and her bachelor of laws (external student) from the University of London in the United Kingdom in August 2006. Ms. Teh has been an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as The Hong Kong Institute of Company Secretaries) and an associate of The Institute of Chartered Secretaries and Administrators since November 1997.

COMPLIANCE ADVISER

Our Company has appointed Alliance Capital Partners Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

The principal terms of the compliance adviser's agreement entered into between our Company and the compliance adviser are as follows:

- (1) the compliance adviser shall provide our Company with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Company to any meetings with the Stock Exchange;
- (2) our Company may terminate the appointment of the compliance adviser by giving a 30 days' prior written notice to the compliance adviser. Our Company will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance adviser will have the right to terminate its appointment as compliance adviser under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and
- (3) during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:
 - (a) before the publication of any regulatory announcement, circular or financial report;
 - (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
 - (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

DIRECTORS AND SENIOR MANAGEMENT

- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares or any other matters pursuant to Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we publish our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

Our Group has established the Audit Committee, the Remuneration Committee, the Nomination Committee, the Compliance Committee and the ESG Committee.

Audit Committee

Our Group established the Audit Committee pursuant to a resolution of our Directors passed on 7 September 2020 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code has been adopted. The primary duties of the Audit Committee are to make recommendations to our Board on appointment or reappointment and removal of external auditor; review the financial statements of our Group and make judgements in respect of financial reporting; and oversee the effectiveness of the procedures of the risk management and internal control procedures of our Group and monitor any future and/or potential continuing connected transactions. The Audit Committee consists of three members, namely Mr. Ng, Mr. Lam and Mr. Chu. Mr. Chu is the chairman of the Audit Committee.

Remuneration Committee

Our Group established the Remuneration Committee pursuant to a resolution of our Directors passed on 7 September 2020 in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the CG 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, senior management and general staff of our Group and ensure that none of our Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of six members, namely Mr. Leung, Mr. Cheung, Mr. Ng, Mr. Lam, Mr. Chu and Mr. Leung KH. Mr. Ng is the chairman of the Remuneration Committee.

Nomination Committee

Our Group established the Nomination Committee pursuant to a resolution of our Directors passed on 7 September 2020 with written terms of reference in compliance with paragraph A.5.2 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size, composition, diversity of our Board and the board diversity policy adopted by our

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Company on 7 September 2020 (the “**Board Diversity Policy**”) on a regular basis; implement the Board Diversity Policy and identify individuals suitably qualified to become Board members; assess the independence of our independent non-executive Directors; and make recommendations to our Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of five members, namely Mr. Leung, Mr. Cheung, Mr. Ng, Mr. Lam and Mr. Chu. Mr. Lam is the chairman of the Nomination Committee.

Compliance Committee

Our Group established the Compliance Committee pursuant to a resolution of our Directors passed on 7 September 2020 with written terms of reference. The primary duties of the Compliance Committee are to ensure compliance with regulatory matters as well as the adequacy and effectiveness of regulatory compliance procedures and system. The Compliance Committee consists of five members, namely Mr. Cheung, Mr. WC Leung, Mr. Chu, Mr. Hui Siu Wing and Mr. Lau Chi Shing Tommy. Mr. Cheung is the chairman of the Compliance Committee.

ESG Committee

Our Group established the ESG Committee pursuant to a resolution of our Directors passed on 7 September 2020 with written terms of reference. The primary duties of the ESG Committee is to support our Board in implementing the ESG Policy and collect ESG data from different parties while preparing for our Group’s ESG report for each financial year going forward. It also serves as a supportive role and would report directly to our Board regularly, and oversee and monitor in implementing measures to address our Group’s ESG-related risks and responsibilities. The ESG Committee consists of five members, namely Mr. WH Leung, our site manager Nr. Ng Kam Tong, our foreman Mr. Chung Chi Ming, our safety officer Mr. Lau Chi Shing Tommy, and our safety supervisor Mr. Cheung Pui Wah. Mr. Lau Chi Shing Tommy is the chairman of the ESG Committee.

BOARD DIVERSITY

Our Company has adopted the Board Diversity Policy on 7 September 2020. The purpose of the Board Diversity Policy is to enhance the effectiveness of our Board, maintain a high standard of corporate governance, and recognise and embrace the benefits of diversity in our Board. Pursuant to the Board Diversity Policy, candidates to our Board will be selected based on a range of diversity perspectives, including but not limited to gender, age, length of service, cultural and educational background, or professional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve our Shareholders and other stakeholders going forward.

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Our Company values gender diversity and will continue to take steps to promote gender diversity at all levels of our Company and to develop a pipeline of potential successors, including but without limitation at our Board, recognising that gender diversity at the Board level can be improved given its current composition of nine male Directors. In recognising the importance of gender diversity, our Company is committed to provide career development opportunities for female staff by ensuring that there is gender diversity in staff recruitment at the mid to senior levels, and more resources will be devoted in training female staff who have extensive and relevant experiences in our business, with the aim that we will have a pipeline of female senior management and potential successors to our Board. As female representation and the pool of qualified females in senior roles will keep growing through the economy, we expect to have more female representation on our Board in the future. Further, our Company has confirmed that, subject to our development and the requirement of our business, the Nomination Committee shall identify and recommend and our Company shall appoint at least one female candidate to our Board within three years from Listing, and continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole.

The effective implementation of the Board Diversity Policy requires that our Shareholders are able to judge for themselves whether our Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to our Board through announcements and circulars published prior to the general meetings of our Company.

The Nomination Committee will be responsible for the implementation, monitoring and periodic review of the Board Diversity Policy to ensure its effectiveness and application. A summary of the Board Diversity Policy and the measurable objectives which our Board has set for implementing the same, and the progress on achieving those objects, will be disclosed in the corporate governance reports of our Company annually upon Listing.

Our Board consists of nine members, comprising four executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors have a balanced mix of experiences, including quantity surveying, banking, digital media and information technology, leadership and management, audit, accounting and company secretarial matters in addition to experiences in the construction industry. Furthermore, the age range of our Board ranges from 35 years old to 86 years old. We also have a good mix of new and experienced Directors, such that our executive Directors have been part of our Group for between two and 22 years, who have valuable knowledge and insight on our Group's business over the years, while our other Directors are expected to bring in fresh ideas and new perspectives to our Group. After due consideration, although our Board currently has no female representation, having taken into consideration our existing business model, our business' specific needs, and the background of each of our Directors, our Board believes that the composition of our Board satisfies the principles under the Board Diversity Policy.

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DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Group's principal policies concerning remuneration of Directors and senior management are determined based on the relevant Director's or senior management member's duties, responsibilities, experiences, skills, time commitment, and performance of our Group and are made with reference to those paid by comparable companies. Our executive Directors and senior management may receive discretionary bonuses which shall be determined by our Board with regard to the performance of the relevant executive Director or member of senior management and the operating results of our Group as a whole in respect of the financial year. Our non-executive Director and independent non-executive Directors receive compensation in the form of a director fee. The aggregate amount of fees, salaries, allowances and other benefits in kind, discretionary bonuses and contributions to defined contribution plans in Hong Kong paid to our Directors for FY2017, FY2018, FY2019 and FY2020 were approximately HK\$4.7 million, HK\$8.3 million, HK\$5.9 million and HK\$4.6 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors, past Directors or our Group's five highest paid employees as an inducement to join or upon joining our Group or as compensation for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the Track Record Period, none of our Directors had waived or agreed to waive any emolument.

Save as disclosed above, no other payments of remuneration had been made, or were payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 9 to the Accountants' Report set out in Appendix I to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, the following persons will have interests or short positions in our Shares or our underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued shares carrying the rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Long position in the Shares

Name	Capacity/Nature	Number of Shares held/interested immediately following completion of the Share Offer and the Capitalisation Issue	Percentage of shareholding immediately following completion of the Share Offer and the Capitalisation Issue
Sky Mission	Beneficial owner	1,200,000,000	75%
Mr. Leung ^{Note}	Interest in controlled corporation	1,200,000,000	75%

Note: These 1,200,000,000 Shares are held by Sky Mission, a company incorporated in the BVI and owned as to 100% by Mr. Leung. Therefore, Mr. Leung is deemed to be interested in all of the Shares held by Sky Mission for the purposes of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, have interests or short position in Shares or 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 will be, directly or indirectly, interested in 10% or more of the issued shares carrying the rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

SHARE CAPITAL

The share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue is set out in the table below. The table is prepared on the basis of the Share Offer becoming unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It takes into no account of any Shares which may be issued upon the exercise of options granted under the Over-allotment Option or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>4,000,000,000</u> Shares of par value of HK\$0.01 each	<u>40,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue</i>	
1,100 Shares in issue as at the Latest Practicable Date	11
1,199,998,900 Shares to be issued pursuant to the Capitalisation Issue	11,999,989
400,000,000 Offer Shares to be issued pursuant to the Share Offer (assuming the Over-allotment Option is not exercised)	4,000,000
<u>1,600,000,000</u> Shares	<u>16,000,000</u>

If the Over-allotment Option is fully exercised, we will allot and issue an additional 60,000,000 Shares and we will have in issue 1,660,000,000 Shares and our issued share capital will be HK\$16,600,000.

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under Rule 8.08 of the Listing Rules is 25% of the total number of Shares in issue from time to time.

RANKING

The Offer Shares, together with the Shares which may be issued upon the exercise of options granted under the Over-allotment Option, will rank *pari passu* in all respects with all the Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For details, see the paragraph headed “2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix III to this prospectus.

Further, our Company will also hold general meetings from time to time as may be required under the Articles of Association, a summary of which is set out in the paragraph headed “2. Articles of Association” in Appendix III to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares in aggregate not exceeding:

- 20% of the total number of Shares in issue immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and
- the aggregate number of issued Shares repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

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, an issue of Shares pursuant to the exercise of the subscription rights attaching to any warrant of our Company, scrip dividends or similar arrangements or options providing for the allotment and issue of Shares in lieu of the whole or in any part of any cash dividends or options to be granted under any share option scheme or similar arrangement for the time being adopted.

This general mandate to issue Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or

SHARE CAPITAL

- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate to allot, issue and deal with Shares are set out in the paragraph headed “A. Further information about our Company – 6. Written resolutions of our sole Shareholder passed on 7 September 2020” in Appendix IV to this prospectus.

REPURCHASE MANDATE

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase, on the Stock Exchange and/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 applicable laws and requirements of the Stock Exchange (or such other stock exchange), Shares in the number not exceeding 10% of the total number of Shares in issue immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue.

This mandate only relates to repurchase of shares made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Stock Exchange (or such other stock exchange). A summary of the relevant Listing Rules is set out in the paragraph headed “B. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable laws or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the Accountants' Report included as Appendix I to this prospectus and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial information has been prepared in accordance with HKFRSs issued by HKICPA. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, Reorganisation and corporate structure" in this prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk factors" and "Forward-looking statements" in this prospectus for discussions of those risks and uncertainties.

OVERVIEW

We are an established formwork works subcontractor in Hong Kong with an operating history of over 20 years. Our Group has a deep-rooted presence and positions ourselves as one of the major subcontractors in the formwork works industry in Hong Kong.

We have completed 40 formwork works projects during the Track Record Period with an aggregate original contract sum amounting to approximately HK\$1,688.0 million. All of our works were project-based. The formwork works projects undertaken by us originated from both public sector (including projects where the ultimate owners of the projects are government departments and statutory bodies) and private sector (including projects where the ultimate owners of the projects are not government departments or statutory bodies).

During FY2017, FY2018, FY2019 and FY2020, we generated HK\$440.1 million, HK\$415.3 million, HK\$505.2 million and HK\$434.6 million in revenue from our formwork works projects, respectively. Our profit for the year was approximately HK\$39.0 million, HK\$41.8 million, HK\$64.5 million and HK\$38.0 million for FY2017, FY2018, FY2019 and FY2020, respectively.

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BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands on 31 May 2019 as an exempted company with limited liability under the Cayman Companies Law. In preparation for the Listing, our Group underwent the Reorganisation. For further details of the Reorganisation, please refer to the section headed “History, Reorganisation and corporate structure” of this prospectus.

Please refer to Note 2 in the Accountants’ Report in Appendix I to this prospectus.

FACTORS AFFECTING THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our financial conditions and results of operations 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” of this prospectus.

Market conditions of construction industry in Hong Kong and availability of formwork works projects

Our Group is mainly engaged in the provision of formwork works services in Hong Kong. Market conditions and trends in the construction industry and in the overall economy will affect the availability and pricing of formwork works projects and construction projects in Hong Kong.

Besides, the government’s policies on property market (including residential housing, office and commercial building), land supply, public housing and infrastructure development in Hong Kong and the investment of property developers may also affect the availability of formwork works projects from both the public and private sectors.

Our success rate on project tenders

As our revenue is not recurring in nature, we cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing awarded projects. Our Group has to go through a competitive tendering process to secure new contracts. Our tender success rates were approximately 16.9%, 13.4%, 12.1% and 13.9% from public sector and private sector invited tenders for FY2017, FY2018, FY2019 and FY2020, respectively. Our tender success rate depends on various factors such as our pricing and tender strategies, customers’ tender evaluation standards and our competitors’ pricing and tender strategy. In the event that we are unable to maintain business relationships with our existing customers or are unable to secure new projects or obtain similar number of projects and maintain our tender success rate, our financial performance will be adversely affected.

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Collectability and timing of collection of our trade receivables

The billings for our projects are made in accordance with the stipulated terms and conditions of the respective contracts. Progress payment is generally made regularly by reference to the value of work done in that month whereas retention money withheld by our customers is normally fully released upon expiry of the defects liability period within 12 to 24 months specified in the relevant contracts or within 12 months of the completion of our project works if no defects liability period was specified.

Our trade receivables were approximately HK\$2.7 million, HK\$7.5 million, HK\$11.6 million and HK\$138.5 million as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, respectively. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute relating to collection of receivables from our customers, which may result in significant delay in receivables collection. Any late payment, whether arising from payment practice of our customer or delay in completion of the construction project, may adversely affect our future liquidity position.

Fluctuations in cost of services

During the Track Record Period, our cost of services in providing formwork works services primarily consist of (i) direct labour costs; (ii) construction materials costs and (iii) subcontracting charges. Our cost of services amounted to approximately HK\$386.4 million, HK\$358.2 million, HK\$416.7 million and HK\$355.4 million, representing approximately 87.8%, 86.2%, 82.5% and 81.8% of our total revenue for FY2017, FY2018, FY2019 and FY2020, respectively. For details of components of our cost of services, please refer to paragraph headed “Selected line items in the combined statements of profit or loss and other comprehensive income – Cost of services” in this section.

Since costs of direct labour and construction materials are the major components of our cost of services, fluctuations in any of these components will affect our direct costs during the actual implementation of the project. In the event that our cost of services unexpectedly increases to the extent that we incur substantial extra costs without sufficient compensations, our financial performance and profitability will be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in costs of direct labour and construction materials on our profit before tax and profit for the year during the Track Record Period, assuming all other variables remained constant. According to the Ipsos Report, average daily wage of workers engaging in the formwork works industry in Hong Kong and price of plywood in Hong Kong recorded a CAGR of approximately 4.1% and 0.2% during the period between 2013 and 2019, respectively.

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Hypothetical fluctuations in direct labour costs	+/-5.0%	+/-10.0%	+/-15.0%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease/increase in profit before tax			
FY2017	-/+15,685	-/+31,370	-/+47,055
FY2018	-/+14,262	-/+28,524	-/+42,786
FY2019	-/+17,849	-/+35,698	-/+53,547
FY2020	-/+11,526	-/+23,052	-/+34,577
Decrease/increase in profit for the year			
FY2017	-/+13,097	-/+26,194	-/+39,291
FY2018	-/+11,909	-/+23,817	-/+35,726
FY2019	-/+14,904	-/+29,808	-/+44,712
FY2020	-/+9,624	-/+19,248	-/+28,872
Hypothetical fluctuations in construction material costs	+/-1.0%	+/-2.0%	+/-3.0%
Decrease/increase in profit before tax			
FY2017	-/+406	-/+812	-/+1,218
FY2018	-/+510	-/+1,020	-/+1,530
FY2019	-/+360	-/+720	-/+1,080
FY2020	-/+774	-/+1,548	-/+2,322
Decrease/increase in profit for the year			
FY2017	-/+339	-/+678	-/+1,017
FY2018	-/+426	-/+852	-/+1,278
FY2019	-/+301	-/+601	-/+902
FY2020	-/+646	-/+1,292	-/+1,939

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.

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CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies are important for understanding the financial conditions and results of operation of our Group. In addition, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amount of the assets and liabilities in the future. Note 3 of the Accountants' Report in Appendix I to this prospectus sets forth the significant accounting policies and certain critical accounting estimates and judgments, which are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions.

We believe that the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

Adoption of HKFRS 9 “Financial instruments” and HKFRS 15 “Revenue from contracts with customers”

Our Group has applied HKFRS 9 and HKFRS 15 consistently throughout the Track Record Period. Our Group considers that the adoption of HKFRS 9 and HKFRS 15 does not have any significant impact on our financial position and performance of our Group compared to the requirements of HKAS 39 “Financial instruments: recognition and measurement” and HKAS 18 “Revenue”.

Adoption of HKFRS16 “Leases”

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual-model under the previous accounting standards (e.g. HKAS 17 “Leases”) with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in the previous accounting standards. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

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Following the adoption of HKFRS 16, leases are recognised in the form of an asset (being the right-of-use assets under property, plant and equipment) together with financial liabilities (being lease liabilities) and in respect of which depreciation expenses and finance costs are charged instead of rental expenses (under cost of services, administrative and other operating expenses). For the preparation of the financial information, our Group has consistently adopted HKFRS 16 “Leases” throughout the Track Record Period. Our Group considers that the adoption of HKFRS 16 does not have any significant impact on our financial position and performance as compared to the requirements of HKAS 17 “Lease”.

Revenue recognition

Revenue is recognised when (or as) our Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

(a) Revenue from provision of formwork works services

Revenue from provision of formwork works services is recognised over time using the output method (as explained below). Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and the receipt is considered probable.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, our Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and the receipt is considered probable.) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of our Group’s performance and reliable information is available to our Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Our management has quantity surveyor to periodically measure the value of the construction works completed for each construction project based on the basis of measurement as specified in each construction contract and issue interim payment application. Revenue is recognised at the time our Group issues the interim payment application. The construction works performed by our Group would then be certified by our customers periodically according to the progress of construction contracts. If payment certificate is received but the relevant amount is not yet settled before the end of a year or period, such amount will be recorded as trade receivables as at the end of the relevant year or period given that payment certificate is an official statement issued by the customer and is legally enforceable. If the payment certificate is received subsequent to the relevant year or period, unbilled revenue will be recognised with reference to the payment certificate and included in the contract assets under the statements of

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financial position as at the end of the relevant year or period. However, it is not uncommon that our customer cannot issue the payment certificate in a timely manner when our Group is preparing our financial statements. For the purpose of verifying the amount of unbilled revenue, we will make enquiries with our customer, who was in the course of processing our submitted payment applications, and obtain written correspondences, which indicate the value of work completed for the relevant year/period that is pending for the payment certification. The unbilled revenue is included in contract assets, which represent our Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction works. Although payment obligation of the amounts stated in the written correspondences is not legally enforceable, our Directors consider it is an important evidence to support the amount of unbilled revenue given that, the person who has the written correspondences with our Group is normally a quantity surveyor of our customer who, to the best knowledge of our Directors, involves in the process of payment certification, and therefore the Directors believe, is a competent person to confirm the value of our Group's completed work.

Our Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progress is based on the interim payment application, and takes into account the adjustments for the value of work completed in the payment certificates or other written correspondences issued by our customers before and after year/period end date. For those work done that had finally been certified by customers in form of payment certificates issued subsequently, our Group would compare the certified amount of the respective projects to the value of works intended to be certified as stated in the relevant written correspondences previously issued by our customers, and so far we did not experience any material variance on the value of work completed during the Track Record Period and up to the Latest Practicable Date that would materially affect our Group's revenue recognised in prior years.

As a result, the revenue recognised by our Group for each reporting period has no material variance with the value the work completed as stated in the payment certificate or other written correspondence (which indicating the value of work completed) issued by our customers.

(b) Other income – Rental from lease of metal scaffold equipment and related parts

Rental income from lease of metal scaffold equipment and related parts is recognised when the metal scaffold equipment and related parts are let out and on a straight-line basis over the lease terms.

Contract assets and contract liabilities

If our Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or our Group has a right to an amount of consideration that is unconditional, before our Group transfers a good or service to the customer, the contract is presented as a contract liability when

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the payment is made or the payment is due (whichever is earlier). A receivable is our Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of provision of formwork works services, in accordance with the standard payment schedules of our Group and the contracts with customers, payments are normally not due or received from the customer until the services are completed or when the goods are delivered and certified by the customers. However, for such transactions, revenue is recognised over time and therefore, a contract asset is recognised until it becomes a receivable or payments are received. During that period, any significant financing components, if applicable, will be included in the contract asset and recognised as interest income.

Contract costs

Contract costs are costs (other than those that are accounted for as property, plant and equipment) to fulfil contracts with customers. Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses.

The costs to fulfil contracts are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, generate or enhance resources that will be used to provide goods or services in the future, and are expected to be recovered. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred. The costs are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services under the specific existing and anticipated contracts to which the costs relate.

An impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses. A reversal of impairment loss is recognised in profit or loss when the impairment conditions no longer exist or have improved provided the increased carrying amount of the asset shall not exceed the amount that would have been determined if no impairment loss had been recognised previously.

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Impairment of financial assets

Our Group recognises loss allowances for expected credit losses (“ECL”) on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, our Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, our Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) nature of financial instruments;
- (ii) past-due status;
- (iii) nature, size and industry of debtors; and
- (iv) external credit risk ratings where available.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument’s credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

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SUMMARY OF RESULTS OF OPERATIONS

The combined statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus:

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Revenue	440,124	415,323	505,188	434,624
Cost of services	<u>(386,419)</u>	<u>(358,196)</u>	<u>(416,686)</u>	<u>(355,377)</u>
Gross profit	53,705	57,127	88,502	79,247
Other income	10	6	1,060	261
Administrative and other operating expenses	(6,761)	(7,259)	(9,807)	(12,334)
Finance costs	(23)	(39)	(48)	(176)
Listing expenses	<u>–</u>	<u>–</u>	<u>(2,128)</u>	<u>(18,136)</u>
Profit before tax	46,931	49,835	77,579	48,862
Income tax expenses	<u>(7,954)</u>	<u>(8,081)</u>	<u>(13,103)</u>	<u>(10,856)</u>
Profit and total comprehensive income for the year	<u><u>38,977</u></u>	<u><u>41,754</u></u>	<u><u>64,476</u></u>	<u><u>38,006</u></u>
Profit and total comprehensive income attributable to:				
Owners of the Company	38,981	41,754	64,476	38,006
Non-controlling interests	<u>(4)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit and total comprehensive income for the year	<u><u>38,977</u></u>	<u><u>41,754</u></u>	<u><u>64,476</u></u>	<u><u>38,006</u></u>

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SELECTED LINE ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue was derived from the provision of formwork works services. During FY2017, FY2018, FY2019 and FY2020, we generated approximately HK\$440.1 million, HK\$415.3 million, HK\$505.2 million and HK\$434.6 million in revenue from 20, 23, 29 and 37 projects, respectively, comprising the entirety of our revenue of each of the respective year. Our revenue trend for FY2017, FY2018 and FY2019 was generally in line with the number of revenue generating projects during the respective year, which maintained a stable uptrend from 20 for FY2017 to 29 for FY2019. For FY2020, our revenue decreased despite a larger number of revenue generating projects as compared to FY2019. This was mainly because amongst the 37 revenue generating projects during FY2020, (i) the aggregate revenue of 21 projects awarded to our Group prior to 1 April 2019 decreased by approximately HK\$273.8 million from HK\$445.5 million for FY2019 to HK\$171.7 million for FY2020, of which these projects were either completed or involved less works performed during FY2020, in particular, Project TMB-53, Project TMB-55, Project TMB-63, Project TMB-67 and Project TMB-69; and (ii) the aggregate revenue of the remaining 16 projects commenced during FY2020 generated approximately HK\$262.9 million during the year, of which 11 out of the aforesaid 16 projects were commenced during the second half of FY2020. Our Directors believe that the commencement period for different projects depends on various factors, including but not limited to, our customers' request and expectation on the project timeline and our resources and capacity.

Based on the project nature, our projects can be categorised into (i) building construction projects and (ii) civil engineering projects. The following table sets out a breakdown of revenue by nature of our projects during the Track Record Period:

	FY2017			FY2018			FY2019			FY2020		
	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%
Building construction ^(Note 1)	15	248,684	56.5	18	331,789	79.9	22	489,234	96.8	31	360,964	83.1
Civil engineering ^(Note 2)	5	191,440	43.5	6	83,534	20.1	7	15,954	3.2	6	73,660	16.9
Total	20	440,124	100	23	415,323	100	29	505,188	100	37	434,624	100

Notes:

1. Building construction projects involve the erection of residential buildings, commercial buildings and/or institutional buildings.
2. Civil engineering projects involve the construction of infrastructure.
3. The number of projects is determined based on the number of projects for which revenue was recognised during the relevant financial year.

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Our revenue was primarily derived from building construction projects, which contributed approximately HK\$248.7 million, HK\$331.8 million, HK\$489.2 million and HK\$361.0 million, representing 56.5%, 79.9%, 96.8%, and 83.1% to our total revenue during FY2017, FY2018, FY2019 and FY2020, respectively. Our Group recorded an increasing trend in revenue from building construction projects from FY2017 to FY2019, which were in line with (i) the government's initiatives to increase public housing supply; and (ii) the overall increased number of construction projects of private residential, commercial and office buildings from 2016 to 2018 in Hong Kong. Our revenue from building construction projects decreased to HK\$361.0 million for FY2020, which was generally in line with the drop in the gross output value of the building construction works industry in Hong Kong in 2019 as a result of the drop in the number of newly completed public housing units and private resident units as well as the floor area of newly completed commercial space in 2019, comparing with 2018.

The revenue attributable to civil engineering projects decreased from approximately HK\$191.4 million in FY2017 to approximately HK\$83.5 million in FY2018 and further to approximately HK\$16.0 million in FY2019. The decrease was due to (i) the decrease in aggregate revenue generated from sizeable civil engineering projects including Project TMB-21, Project TMB-32 and Project TMB-44 from approximately HK\$188.8 million in FY2017 to HK\$72.3 million in FY2018 and further to HK\$3.1 million in FY2019, which resulted from the completion of these projects during FY2018 and FY2019; and (ii) the completion of some of the Ten Major Infrastructure Projects and the absence of large-scale construction projects introduced by the Government, only four civil engineering projects, with an aggregate original contract sum of approximately HK\$29.1 million, were awarded to us and commenced the site works in FY2017, FY2018 and FY2019. During FY2020, the revenue derived from civil engineering projects increased to approximately HK\$73.7 million, which was mainly attributable to the commencement of the site works for Project TMB-87, from which we derived revenue of approximately HK\$65.0 million for FY2020.

Based on the type of ultimate customer, our projects can be categorised into public sector projects (including projects where the ultimate customers of the projects are Government departments and statutory bodies) and private sector projects (including projects where the ultimate customers of the projects are not Government departments or statutory bodies). The table below sets forth a breakdown of revenue derived from public sector projects and private sector projects during the Track Record Period:

	FY2017			FY2018			FY2019			FY2020		
	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%	No. of projects (Note 3)	Revenue HK\$'000	%
Public sector (Note 1)	6	91,173	20.7	9	124,771	30.0	15	225,270	44.6	14	202,798	46.7
Private sector (Note 2)	14	348,951	79.3	14	290,552	70.0	14	279,918	55.4	23	231,826	53.3
Total	20	440,124	100	23	415,323	100	29	505,188	100	37	434,624	100

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Notes:

1. Public sector projects include those projects where the ultimate customers are Government departments and/or statutory bodies.
2. Private sector projects include projects where the ultimate customers are not Government departments nor statutory bodies.
3. The number of projects is determined based on the number of projects for which revenue was recognised during the relevant financial year.

Our revenue was mainly derived from private sector projects, which contributed approximately HK\$349.0 million, HK\$290.6 million, HK\$279.9 million and HK\$231.8 million, representing approximately 79.3%, 70.0%, 55.4% and 53.3% to our total revenue during FY2017, FY2018, FY2019 and FY2020, respectively. Our Group derived higher revenue from public sector from FY2017 to FY2019, which was mainly attributable to the increased revenue from public building projects. This was generally in line with government's initiatives to increase public housing supply. Our Group recorded a decrease in revenue from private sector projects from approximately HK\$279.9 million for FY2019 to approximately HK\$231.8 million for FY2020, which was mainly because (i) our Group has completed all 11 remaining private sector projects awarded to our Group prior to 1 April 2019 during FY2020, as such, our Group only generated approximately HK\$45.2 million from these 11 remaining projects for FY2020 as compared to approximately HK\$279.0 million for FY2019; and (ii) our Group generated approximately HK\$186.6 million from 12 projects which were awarded to our Group during FY2020. Although our Group completed all 11 remaining private sector projects awarded to us prior to 1 April 2019 and commenced 12 newly awarded private sector projects during FY2020, nine out of these 12 newly awarded projects were commenced in around November 2019 to January 2020, and hence a relatively less revenue was recognised from our private sector projects during FY2020. Our Group recorded a decrease in revenue from public sector projects for FY2020 as compared to FY2019, which was mainly because we recorded less revenue from a number of public building projects, in particular, Project TMB-52, Project TMB-53, Project TMB-54 and Project TMB-70. The decrease in revenue from our building construction projects was generally in line with the drop in number of newly completed public housing units and private residential units in Hong Kong from 2018 to 2019.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

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Cost of services

Our Group's cost of services consist of direct labour costs, construction material costs, subcontracting charges, metal scaffold equipment rental, depreciation and others. Our cost of services amounted to approximately HK\$386.4 million, HK\$358.2 million, HK\$416.7 million and HK\$355.4 million, representing approximately 87.8%, 86.2%, 82.5% and 81.8% of our revenue for FY2017, FY2018, FY2019 and FY2020, respectively. The following table sets forth a breakdown of our cost of services during the Track Record Period:

	FY2017		FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Direct labour	313,697	81.2	285,239	79.6	356,980	85.7	230,515	64.9
Construction materials	40,603	10.5	51,013	14.2	36,015	8.6	77,392	21.8
Subcontracting charges	16,086	4.2	5,193	1.4	6,305	1.5	31,723	8.9
Metal scaffold equipment rental	8,540	2.2	7,718	2.2	5,723	1.4	5,160	1.5
Depreciation	3,214	0.8	4,274	1.2	6,272	1.5	4,763	1.3
Transportation	3,581	0.9	3,421	1.0	4,356	1.0	4,139	1.2
Others <i>(Note)</i>	698	0.2	1,338	0.4	1,035	0.3	1,685	0.4
Total	386,419	100	358,196	100	416,686	100	355,377	100

Note: Others include (i) rent and rates; (ii) repairs and maintenance of our equipment; (iii) compensation related to accidents on our construction sites; and (iv) cleaning expenses.

Direct labour

Our direct labour costs represent salaries and benefits to our staff who are directly involved in the provision of our formwork works services. During the Track Record Period, our direct labour costs amounted to approximately HK\$313.7 million, HK\$285.2 million, HK\$357.0 million and HK\$230.5 million, representing approximately 81.2%, 79.6%, 85.7% and 64.9% of our total cost of services for FY2017, FY2018, FY2019 and FY2020, respectively. The following table sets forth the breakdown of direct labour costs during the Track Record Period:

	FY2017		FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Wages	296,721	94.6	270,545	94.8	333,250	93.3	210,653	91.4
Salaries, allowances and bonuses	8,582	2.7	7,596	2.7	11,697	3.3	12,217	5.3
Contributions to defined contribution plans	8,004	2.6	6,177	2.2	10,328	2.9	6,736	2.9
Other staff benefits	390	0.1	921	0.3	1,705	0.5	909	0.4
Total	313,697	100	285,239	100	356,980	100	230,515	100

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Our Group's total wages for its site workers is calculated by multiplying the units of man-day utilised over a certain financial year by the respective daily wage (man-day rate of each role). Man-day refers to the number of days in which services are rendered by each of the site worker. The units of man-day utilised usually depends on the quantity of formwork works delivered to the customers.

The table below sets out the details of our Group's total wages, numbers of man-days, average daily wage, and comparison with industry data during the Track Record Period:

	FY2017	FY2018	FY2019	FY2020
Total wages (HK\$'000)	296,721	270,545	333,250	210,653
Approximate no. of man-days	151,814	140,196	183,943	112,323
Average daily wage of our Group (HK\$ per day per worker)	1,955	1,930	1,812	1,875
Average daily wage of carpenter formwork workers in the industry (HK\$ per day per worker) ^(Note)	2,047	1,944	1,906	1,995
Average daily wage of metal formwork workers in the industry (HK\$ per day per worker) ^(Note)	1,666	1,656	1,633	1,579

Note: Information source from Census and Statistics Department for FY2017, FY2018, FY2019 and FY2020, respectively, which was calculated based on the average of daily wage of carpenter/metal formwork workers for each month during the respective financial year. According to Ipsos, the average daily wage of carpenter and metal formwork workers from Census and Statistics Department refers to the wages of those workers participating in public sector projects and does not include those from private sector projects, of which it is common that the wage of those workers participating in public sector projects is different from those who participate in private sector projects, due to a number of reasons, including but not limited to the budget of the customer as well as the level of experience of construction workers hired.

As our Group predominantly provided traditional formwork to our customers by using timber and plywood during the Track Record Period, our site workers are mainly carpenter formwork workers. During FY2019 and FY2020, our Group also started to engage system formwork workers for projects involving system formwork. Our Group's average daily wage of site workers remained stable at approximately HK\$1,955 for FY2017 and HK\$1,930 for FY2018, and decreased by approximately 6.1% from approximately HK\$1,930 for FY2018 to HK\$1,812 for FY2019, which was mainly in response to the prevailing market rate of the carpenter formwork works industry. For FY2020, our Group's average daily wages increased by approximately 3.5% from approximately HK\$1,812 for FY2019 to approximately HK\$1,875 for FY2020, which was also in line with the trend of average daily wage of carpenter formwork workers in prevailing market.

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As shown in the table above, the differences between the average daily wage of our Group's site workers and the carpenter formwork workers in the industry during FY2017, FY2018, FY2019 and FY2020 were not significant, which were approximately 4.5%, 0.7%, 4.9% and 6.0% respectively. The variance of approximately 6.0% was noted between our Group's average daily wage of approximately HK\$1,875 and daily wage of carpenter formwork workers in the industry of approximately HK\$1,995 for FY2020, which was mainly due to the increase in the number of metal (system) formwork workers engaged by our Group for FY2020 whose average daily wages were lower than those of carpenter formwork workers.

Construction materials

Cost of construction materials mainly include the purchase of construction materials, such as timber and plywood, metalware and aluminium formwork that are directly used in our formwork works projects. During the Track Record Period, our costs of construction materials amounted to approximately HK\$40.6 million, HK\$51.0 million, HK\$36.0 million and HK\$77.4 million, representing approximately 10.5%, 14.2%, 8.6% and 21.8% of our total cost of services for FY2017, FY2018, FY2019 and FY2020, respectively.

Our costs of construction materials increased from approximately HK\$40.6 million for FY2017 to approximately HK\$51.0 million for FY2018, which was mainly attributable to the upfront costs incurred for a number of projects commenced during FY2018, in particular Project TMB-63 and Project TMB-67. For FY2019, our costs of construction materials decreased to approximately HK\$36.0 million from approximately HK\$51.0 million for FY2018, which was mainly due to the decrease in the quantity of new construction materials required as we reused our construction materials in some of our sizeable projects such as Project TMB-67 and Project TMB-69 during FY2019. Our costs of construction materials increased to approximately HK\$77.4 million for FY2020 as compared to that of approximately HK\$36.0 million for FY2019, which was mainly attributable to a number of sizeable new projects, in particular, Project TMB-84, Project TMB-87 and Project TMB-90, which were commenced in the second half of FY2020.

Subcontracting charges

During the Track Record Period, we mainly engaged our own site workers to carry out the formwork works. However, subject to the project schedule and our available manpower, we may engage subcontractors to carry out some of the site works under the close supervision and management of our project management team. Subcontracting charges represent fees paid to our subcontractors. For FY2017, FY2018, FY2019 and FY2020, our subcontracting charges amounted to approximately HK\$16.1 million, HK\$5.2 million, HK\$6.3 million and HK\$31.7 million, representing approximately 4.2%, 1.4%, 1.5% and 8.9% of our total cost of services for FY2017, FY2018, FY2019 and FY2020, respectively. The increase in subcontracting charges for FY2020 was mainly attributable to Project TMB-87, as we had to engage subcontractors to perform certain structural works with waterproof requirements in relation to a balancing tank and its ancillary facilities for Drainage Services Department, which had a relatively tight schedule to complete.

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Metal scaffold equipment rental

Metal scaffold equipment rental costs represent fees paid for hiring metal scaffold equipment for our provision of formwork works services. For FY2017, FY2018, FY2019 and FY2020, our Group incurred approximately HK\$8.5 million, HK\$7.7 million, HK\$5.7 million and HK\$5.2 million for hire of metal scaffold equipment, representing approximately 2.2%, 2.2%, 1.4% and 1.5% of our total cost of services for FY2017, FY2018, FY2019 and FY2020, respectively.

Gross profit and gross profit margin

Our gross profit was approximately HK\$53.7 million, HK\$57.1 million, HK\$88.5 million and HK\$79.2 million, representing a gross profit margin of approximately 12.2%, 13.8%, 17.5% and 18.2% for FY2017, FY2018, FY2019 and FY2020, respectively.

We determine our tender price on a case-by-case basis by adopting a cost-plus pricing model. To estimate our costs in undertaking a project, we will consider factors including the materials and equipment required, manpower required, the time required and the timing of the project.

After estimating our project costs, our Directors will proceed to determine the profit margin in addition to the estimated project costs, taking into account factors including (i) nature, scope and complexity of the work involved; (ii) estimated tender prices of our competitors; (iii) the availability of our manpower and resources; (iv) relationship with the customer; and (v) potential risk. Please refer to the section headed “Business – Sales and marketing – Pricing strategy” in this prospectus for more details.

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 “Critical accounting policies, estimates and Judgments” in this section. 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 paragraph headed “Risk Factors – We make estimation of the project price based on our estimated time and costs in our tenders and any failure to accurately estimate the time and costs involved and/or delay in completion of any

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project would lead to cost overruns or even result in losses and adversely affecting our operations and financial results” of this prospectus. In practice, our Group was able to derive overall positive gross profit and gross profit margin from majority of our individual projects completed during the Track Record Period.

The following table sets forth our gross profit and gross profit margins by nature of our projects during the Track Record Period:

	FY2017		FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building construction	27,666	11.1	36,169	10.9	86,043	17.6	64,077	17.8
Civil engineering	<u>26,039</u>	13.6	<u>20,958</u>	25.1	<u>2,459</u>	15.4	<u>15,170</u>	20.6
Total	<u><u>53,705</u></u>	12.2	<u><u>57,127</u></u>	13.8	<u><u>88,502</u></u>	17.5	<u><u>79,247</u></u>	18.2

Our gross profit margin in building construction projects remained stable at approximately 11.1% and 10.9% for FY2017 and FY2018, respectively. For FY2019 and FY2020, we derived higher gross profit margin in building construction projects of approximately 17.6% and 17.8%, respectively. The relatively higher gross profit margin of approximately 17.6% for FY2019 was primarily attributable to the relatively higher gross profit derived from the public building projects, such as Project TMB-52, Project TMB-53 and Project TMB-70 as a result of less construction materials required due to the repeated use of construction materials. Our gross profit margin then remained stable at approximately 17.8% for FY2020 and our gross profit was mainly contributed by Project TMB-70, Project TMB-75 and Project TMB-84, in aggregate of approximately HK\$38.8 million.

Our gross profit margin contributed from civil engineering projects was approximately 13.6%, 25.1%, 15.4% and 20.6% for FY2017, FY2018, FY2019 and FY2020, respectively. We derived significantly higher gross profit margin from civil engineering projects for FY2018 and FY2020, which was mainly attributable to the relatively higher profit derived from Project TMB-32 for FY2018 and Project TMB-58 and Project TMB-87 for FY2020, respectively. We recorded gross profit of approximately HK\$12.5 million and gross profit margin of approximately 19.3% from Project TMB-87 for FY2020 as we had set a relatively higher contract rate as compared to our other civil engineering projects taking into account the higher waterproof requirements of this project in relation to the structural works of a balancing tank and its ancillary facilities to increase the sewerage capacity for Drainage Services Department as our Directors considered the relevant works required more techniques and exposed to more risks; we also recorded gross profit of approximately HK\$1.9 million and gross profit margin of approximately 43.0% from Project TMB-58 for FY2020, for which we had reused our construction materials.

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The following table sets forth breakdown of our gross profit and gross profit margin by public sector and private sector during the Track Record Period:

	FY2017		FY2018		FY2019		FY2020	
	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %
Public sector	26,280	28.8	20,864	16.7	70,442	31.3	40,602	20.0
Private sector	<u>27,425</u>	7.9	<u>36,263</u>	12.5	<u>18,060</u>	6.5	<u>38,645</u>	16.7
Total	<u><u>53,705</u></u>	12.2	<u><u>57,127</u></u>	13.8	<u><u>88,502</u></u>	17.5	<u><u>79,247</u></u>	18.2

As shown in the table above, our gross profit margin contributed from formwork works projects of public sector was approximately 28.8%, 16.7%, 31.3% and 20.0% for FY2017, FY2018, FY2019 and FY2020, respectively, which were higher than those from the formwork works projects of private sector.

Our public projects would normally yield a higher gross profit margin for our Group as we normally set a higher price when tendering for public sector projects. Our Directors are of the view that (i) public sector projects tend to have stringent requirements and standard for formwork works subcontractors, which subcontractors are often exposed to higher risk and costs in managing public sector projects; and (ii) public sector projects usually have higher administrative and management cost. Therefore, our Directors consider it reasonable to set a higher profit margin for taking more risks as compared to private sector projects.

Other income

Our other income during the Track Record Period mainly is comprised of (i) gross rental from lease of metal scaffold equipment and related parts to an independent third party; and (ii) sundry income (including bank interest income from bank deposits). In view of the completion of certain sizable projects resulting in the temporary idling of our metal scaffold equipment and related equipment, our Group rented our metal scaffold equipment and related equipment to an independent third party to recover our maintenance costs and rental costs of metal scaffold

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equipment that was still engaged in on-going projects. The table below sets forth a breakdown of our other income during the Track Record Period:

	FY2017		FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Gross rental from lease of metal scaffold equipment and related parts	-	-	-	-	1,036	97.7	163	62.5
Sundry income	10	100	6	100	24	2.3	98	37.5
Total	10	100	6	100	1,060	100	261	100

Administrative and other operating expenses

During the Track Record Period, our administrative and other operating expenses mainly consisted of (i) staff costs (including Directors' remuneration); (ii) legal and professional fee; (iii) insurance; (iv) audit fee; (v) sundry expenses; (vi) depreciation; and (vii) others. Our administrative and other operating expenses amounted to approximately HK\$6.8 million, HK\$7.3 million, HK\$9.8 million and HK\$12.3 million, representing approximately 1.5%, 1.7%, 1.9% and 2.8% of our revenue for FY2017, FY2018, FY2019 and FY2020, respectively. The table below sets forth a breakdown of our administrative and other operating expenses during the Track Record Period:

	FY2017		FY2018		FY2019		FY2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs (including Directors' remuneration)	5,456	80.7	5,662	78.0	6,961	71.0	6,601	53.5
Legal and professional fee	580	8.6	339	4.7	1,297	13.2	1,489	12.1
Insurance	110	1.6	108	1.5	102	1.0	154	1.2
Audit fee	82	1.2	85	1.2	85	0.9	165	1.3
Sundry expenses	87	1.3	72	1.0	132	1.3	181	1.5
Depreciation	91	1.3	145	2.0	303	3.1	649	5.3
Others ^(note)	355	5.3	848	11.6	927	9.5	3,095	25.1
Total	6,761	100	7,259	100	9,807	100	12,334	100

Note: others mainly include tax surcharge, building management fees, utilities, travelling expenses, impairment loss on trade receivables and contract assets and etc.

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Finance costs

Our finance costs during the Track Record Period represented interest expenses on lease liabilities and interest-bearing borrowings. Our Group has incurred finance costs of approximately HK\$23,000, HK\$39,000, HK\$48,000 and HK\$176,000 for FY2017, FY2018, FY2019 and FY2020, respectively. Our finance costs for FY2020 increased as a result of the increase in the total outstanding interest-bearing borrowings of our Group during FY2020.

Listing expenses

Listing expenses represent the expenses incurred in connection with the Listing. We recorded Listing expenses of approximately nil, nil, HK\$2.1 million and HK\$18.1 million for FY2017, FY2018, FY2019 and FY2020, respectively.

Income tax expenses

Our Group companies established in the Cayman Islands and the BVI are exempted from income tax.

Hong Kong profits tax has been provided at the rate of 16.5% on our Group's estimated assessable profits arising from Hong Kong during 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 the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from FY2019, the Hong Kong profits tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong profits tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for FY2019. Please refer to Note 10 to the Accountants' Report as set out in Appendix I to this prospectus for further details. Our effective tax rate for our operations was approximately 16.9%, 16.2%, 16.9% and 22.2% for FY2017, FY2018, FY2019 and FY2020, respectively.

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Submission of revised Hong Kong profits tax computation for years of assessment 2015/16, 2016/17 and 2017/18 by Temmex due to the first time adoption of HKFRSs in preparing its statutory financial statements for FY2019

Prior to FY2019, the statutory audited financial statements of Temmex have been prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standards (“SME-FRS”) issued by HKICPA. Under SME-FRS, revenue from provision of formwork works services were recognised by Temmex at times when the value of work completed was certified by the customers and the right to receive consideration for work performed becomes unconditional (i.e. typically at the expiry date of the period for the provision of assurance by Temmex on the service quality of the construction works performed by Temmex). As the Inland Revenue Department allows the audited accounts to be prepared by SME-FRS for tax filing purpose, the Hong Kong profits tax has been provided based on the accounting profits (and thus the estimated taxable profits) reported in Temmex’s statutory financial statements (under SME-FRS) for each of the relevant financial years.

For the purpose of the historical financial information, our Group fully adopted the HKFRSs that are relevant to its operations and are effective during the Track Record Period (in particular, HKFRS 15 “Revenue from Contracts with Customers” which is effective from 1 April 2018 and our Group has consistently applied HKFRS 15 throughout the Track Record Period). Under HKFRSs, the revenue was recognised based on the requirements under HKFRS 15 and the timing of revenue recognition is different from those adopted by Temmex in preparing its statutory audited financial statements. Details of revenue recognition policy adopted by our Group are set out in Note 1 to the Accountants’ Report in Appendix I to this prospectus. Our Group recorded income tax expenses in the combined statements of profit or loss and other comprehensive income for each year of the Track Record Period based on the accounting profits under HKFRSs.

In FY2019, Temmex fully adopted HKFRSs for the first time in preparing its statutory financial statements, which is consistent with the accounting policies adopted by our Group for the historical financial information. On the first adoption of applicable HKFRSs in the preparation of Temmex’s statutory financial statements for FY2019, Temmex has adopted HKFRS 1 “First-time Adoption of Hong Kong Financial Reporting Standards” issued by HKICPA in the preparation of statutory financial statements for FY2019. The cumulative effects of initial adoption of HKFRSs (including HKFRS 15) in preparation of these statutory financial statements on the results and financial position of Temmex for prior periods (i.e. prior to 1 April 2018) were considered and adjusted in the respective amounts recognised in the statutory financial statements at 1 April 2018. Accordingly, the Hong Kong profits tax has been provided based on the accounting profits (and thus the estimated taxable profits) reported in Temmex’s statutory financial statements (under HKFRSs) for FY2019. In addition, the retrospective application of HKFRSs resulted in revised taxable profits in prior periods (as a result of prior period adjustments made on the initial date of application, i.e. 1 April 2018) and therefore Temmex has submitted the revised Hong Kong profits tax computation for years of assessment 2015/16, 2016/17 and 2017/18 based on the restated accounting profits under HKFRSs in November 2019 (“**Revised Tax Computation For Prior Years**”).

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In principle, where a taxpayer's financial statements are correctly drawn in accordance with the ordinary principles of commercial accounting and in conformity with the Inland Revenue Ordinance, no further modifications are required or permitted. This principle was confirmed in the judgment of the Secan Case and agreed by the Inland Revenue Department as mentioned in Paragraph 9 of its Departmental Interpretation and Practice Notes No. 40 (Revised). The Inland Revenue Department would not impose penalty on a taxpayer if there is revision to the taxpayer's tax computation (and taxable profit and tax thereon) as a result from the adoption of new accounting standards with retrospective effect. Our Tax Adviser is of the view that all those reported taxable profits and tax thereon for the relevant financial years are not considered as incorrect because Temmex has already prepared its statutory financial statements based on the then prevailing accounting standards (SME-FRS) at the relevant years. Calculation of taxable profits and tax thereon based on such financial statements were in accordance with the Inland Revenue Ordinance and did not violate any tax rules under the Inland Revenue Ordinance. As mentioned above and in accordance with Paragraph 9 of its Department Interpretation and Practice Notes No. 40 (Revised), except for tax adjustment specifically required under the Inland Revenue Ordinance (including but not limited to depreciation allowances), the Inland Revenue Department would accept taxable profits ascertained based on then generally acceptable accounting principles. The submission of Revised Tax Computation For Prior Years is merely resulted from the adoption of HKFRSs by Temmex and consistent with the tax practice in similar cases. Although the revised amounts of assessable profits based on the restated accounting profits result in net additional tax payable of approximately HK\$8.2 million (which has been recorded as tax payable in our combined statements of financial position as at relevant year end date during the Track Record Period), such revision did not result in penalty as there is no violation of tax rules under the Inland Revenue Ordinance. As at the Latest Practicable Date, we have not received any correspondences regarding to follow-up tax enquiries and disagreement or confirmation on the Revised Tax Computation for Prior Years from the Inland Revenue Department. Save for the non-compliance incidents under the Inland Revenue Ordinance as disclosed in the section headed "Business – Non-compliances" in this prospectus, our Directors confirmed that there were no other material non-compliance incidents under the Inland Revenue Ordinance for Temmex during the Track Record Period and up to the Latest Practicable Date.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – 8. Tax and other indemnities" in Appendix IV to this prospectus.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2020 compared to FY2019

Revenue

Our revenue decreased from approximately HK\$505.2 million for FY2019 to approximately HK\$434.6 million for FY2020, representing a decrease of approximately HK\$70.6 million or 14.0%. Such decrease was mainly attributable to the decrease in revenue recognised from private sector projects of approximately HK\$48.1 million or 17.2% from approximately HK\$279.9 million for FY2019 to approximately HK\$231.8 million for FY2020, which was mainly due to the completion of a number of private projects during FY2020, in particular Project TMB-55, Project TMB-67 and Project TMB-69; the contribution of those three projects decreased from approximately HK\$187.2 million for FY2019 to approximately HK\$7.0 million for FY2020, representing a decrease of approximately HK\$181.2 million. Such decrease was partially offset by the revenue generated from the newly commenced private sector projects in FY2020, in particular, Project TMB-84, which contributed approximately HK\$123.4 million to our revenue for FY2020. We also recorded a decrease in revenue in a number of public building projects, in particular Project TMB-52, Project TMB-53, Project TMB-54 and Project TMB-70, from a total of approximately HK\$177.7 million for FY2019 to approximately HK\$38.2 million for FY2020 as these projects were either completed, or involving less works performed during the year. The decrease in revenue from our public building projects was generally in line with the decrease in number of public housing units completed to be completed during FY2020 as compared to FY2019 according the Ipsos Report. Such decrease was partially offset by an increase in revenue from other public sector projects such as Project TMB-75, Project TMB-80 and Project TMB-87, from a total of approximately HK\$17.9 million for FY2019 to approximately HK\$134.5 million for FY2020. Please refer to section headed “Business – Our projects” in this prospectus for more details.

Cost of services

Our cost of services decreased from approximately HK\$416.7 million for FY2019 to approximately HK\$355.4 million for FY2020, representing a decrease of approximately 14.7% or approximately HK\$61.3 million. Such decrease was mainly due to the decrease in direct labour costs of approximately HK\$126.5 million or 35.4% from HK\$357.0 million for FY2019 to approximately HK\$230.5 million for FY2020, which was mainly attributable to the decrease in direct labour costs incurred for Project TMB-53, Project TMB-55, and Project TMB-67 in aggregate from approximately HK\$155.7 million for FY2019 to approximately HK\$7.2 million for FY2020, representing a decrease of HK\$148.5 million since a substantially higher portion of works for such projects was completed or performed during FY2019; and the decrease in numbers of man-day of our site workers for FY2020 as compared to that for FY2019. The decrease in direct labour costs was partially offset by the increase in subcontracting charges.

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Our Group's subcontracting charges increased by approximately HK\$25.4 million from approximately HK\$6.3 million for FY2019 to approximately HK\$31.7 million for FY2020, which was mainly attributable to Project TMB-87 as we had to engage subcontractors to perform certain structural works with waterproof requirements in relation to a balancing tank and its ancillary facilities to increase the sewerage capacity for Drainage Services Department, which had a relatively tight schedule to complete. Because this project requires workers to have specific technical skills, our management believed that subcontracting the relevant works to subcontractors with required skills could ensure quality and reduce the pressure on our Group's manpower allocation in the first quarter of 2020, during such period our Group completed works of more than HK\$200 million.

Our Group's construction material costs increased by approximately HK\$41.4 million from approximately HK\$36.0 million for FY2019 to approximately HK\$77.4 million for FY2020. This was mainly attributable to the following sizeable new projects, which incurred a relatively higher of construction material costs in aggregate of approximately HK\$52.7 million for FY2020.

- (i) For Project TMB-84, as we could not reuse our construction materials substantially by dividing the works into several parts and complete them one after another due to the tight schedule, we had to incur additional cost to acquire more construction materials in order to complete relevant works at the same time;
- (ii) for Project TMB-87, as construction materials used in this project need to be suitable for a relatively higher waterproof requirement, which carried higher unit price, and therefore we incurred higher construction material costs; and
- (iii) for Project TMB-90, due to the irregular shape of certain building structure involved in this project, we could not reuse materials for those parts and had to purchase more new materials to cater for the requirements.

Although we incurred increased subcontracting charges and construction material costs for Project TMB-84 and Project TMB-87, our direct labour costs did not demonstrate a similar trend, which was mainly because:

- (i) For Project TMB-84, due to the tight schedule and single phase of site possession involved in Project TMB-84, we executed most of the project works simultaneously and therefore there was less idle man-days chargeable to our Group;
- (ii) For Project TMB-87, our Group incurred more subcontracting charges than direct labour costs because the relevant works required specific technical skills and demanded a tight schedule.

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Gross profit and gross profit margin

Our overall gross profit decreased in line with the decrease in revenue, from approximately HK\$88.5 million for FY2019 to approximately HK\$79.2 million for FY2020, representing a decrease of approximately HK\$9.3 million or 10.5%; while our gross profit margin remained stable at approximately 17.5% for FY2019 and 18.2% for FY2020. Such improvement in gross profit was mainly driven by certain building construction projects (in particular, Project TMB-70 and Project TMB-75) and civil engineering projects (in particular, Project TMB-58 and Project TMB-87). For building construction projects, we recorded gross profit of approximately HK\$6.5 million (gross profit margin of approximately 18.6%) from Project TMB-70 and HK\$10.0 million (gross profit margin of approximately 17.4%) from Project TMB-75, for which we had reused certain construction materials. For civil engineering projects, (i) we recorded gross profit of approximately HK\$12.5 million and gross profit margin of approximately 19.3% from Project TMB-87 for FY2020 as a result of relatively higher contract rate as compared to our other civil engineering projects set for this project after taking into account the waterproof requirements in relation to structural works of a balancing tank and its ancillary facilities for Drainage Services Department as our Directors considered the relevant works required more techniques and exposed to more risks; and (ii) we also recorded gross profit of approximately HK\$1.9 million and gross profit margin of approximately 43.0% from Project TMB-58 for FY2020 for which we had reused our construction materials.

Other income

Our other income decreased from approximately HK\$1,060,000 for FY2019 to approximately HK\$261,000 for FY2020 as a result of the decrease in our gross rental from lease of metal scaffold equipment and related parts of approximately HK\$873,000 from approximately HK\$1,036,000 for FY2019 to HK\$163,000 for FY2020.

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately HK\$9.8 million for FY2019 to approximately HK\$12.3 million for FY2020. Such increase was mainly due to the increase in our impairment loss on trade receivables and contract assets of approximately HK\$2.2 million during FY2020. Our Group's impairment loss on trade receivables and contract assets is calculated by multiplying the balance of trade receivables and contract assets by the expected loss rate. We incurred such higher impairment loss on trade receivables and contract assets for FY2020 mainly because (i) higher balance of trade receivables and contract assets as at 31 March 2020 as a large portion of revenue was recognised during the fourth quarter of FY2020 from the works performed on various projects; and (ii) when estimating the loss allowance based on lifetime expected credit losses, higher expected loss rate was applied to trade receivables with less than one year past due and contract assets as at 31 March 2020 upon taking into consideration the historical records (e.g. historical default rates, past due status, financial capability of each debtor) and forward-looking information (e.g. forward-looking probability of default and macroeconomic factors). For more details, please refer to Note 28 in "Appendix I – Accountants Report".

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Finance costs

Our finance costs increased from HK\$48,000 to HK\$176,000 for FY2019 and FY2020, respectively which was primarily the result of the increase in the interest expenses in respect of our lease liabilities and interest-bearing borrowings.

Income tax expenses

Income tax expenses of approximately HK\$13.1 million and HK\$10.9 million was recognised for FY2019 and for FY2020, respectively. Our effective tax rate was approximately 16.9% and 22.2% for FY2019 and FY2020, respectively. Such increase was mainly due to the tax effect of the non-deductible Listing expenses incurred during FY2020 as compared to FY2019. If the effects of the non-deductible Listing expenses incurred for FY2020 are excluded, the effective tax rate would have been approximately 16.2%.

Profit after tax and net profit margin

As a result of the foregoing, our profit after tax for FY2019 and FY2020 was approximately HK\$64.5 million and HK\$38.0 million, respectively. Our net profit margin for each of FY2019 and FY2020 was approximately 12.8% and 8.7%, respectively.

FY2019 compared to FY2018

Revenue

Our revenue increased from approximately HK\$415.3 million for FY2018 to approximately HK\$505.2 million for FY2019, representing a growth of approximately HK\$89.9 million or 21.6%. Apart from the increase in the number of projects from 23 in FY2018 to 29 in FY2019 which had contributions to our revenue, such increase was mainly attributable to the increase in revenue from public sector projects of approximately 80.5% or approximately HK\$100.5 million, which was mainly driven by (i) the increased revenue recognised from Project TMB-52 and Project TMB-53, in aggregate from approximately HK\$44.5 million in FY2018 to approximately HK\$101.6 million in FY2019, representing an increase of HK\$57.1 million, resulting from significant portion of works performed during FY2019; and (ii) revenue contributed by public sector projects commenced in FY2019, such as Project TMB-70 and Project TMB-75, in aggregate amounting to approximately HK\$68.6 million. Such increase in revenue was partially offset by the decrease in revenue from two projects that were related to the Ten Major Infrastructure Projects, namely Project TMB-32 (Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link) and Project TMB-44 (Kai Tak development). Our Group recorded decreased revenue of approximately HK\$46.1 million from these two projects for FY2019 as compared to FY2018, mainly due to the completion of these two projects in FY2018 with final payment made in FY2019. We also recorded a decrease in revenue derived from private sector projects of approximately HK\$10.6 million mainly as a result of the decreased revenue recognised from Project TMB-21, Project TMB-59, Project TMB-60, Project TMB-61, Project TMB-63, in aggregate from approximately HK\$162.1 million

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for FY2018 to approximately HK\$31.2 million for FY2019, representing a decrease of approximately HK\$130.9 million. Such decrease in revenue from private sector projects was partially offset by revenue recognised from certain private sector projects during FY2019, such as Project TMB-67, Project TMB-69, Project TMB-71, Project TMB-76, in aggregate from approximately HK\$15.3 million for FY2018 to approximately HK\$165.7 million for FY2019, representing an increase of approximately HK\$150.4 million.

Cost of services

Our cost of services increased from approximately HK\$358.2 million for FY2018 to approximately HK\$416.7 million for FY2019, representing an increase of approximately 16.3% or approximately HK\$58.5 million. Such increase was mainly because:

- (i) our direct labour costs increased by approximately HK\$71.7 million, representing approximately 25.2% from approximately HK\$285.2 million for FY2018 to approximately HK\$357.0 million for FY2019. Such increase was mainly attributable to the increase in direct labour costs incurred for Project TMB-52, Project TMB-53, Project TMB-70, Project TMB-75 and Project TMB-76, in aggregate from approximately HK\$38.0 million for FY2018 to approximately HK\$113.9 million for FY2019, representing an increase of approximately HK\$75.9 million, which was generally in line with the increase in our revenue for FY2019 as discussed above; and
- (ii) the increase in direct labour costs was partially offset by the decrease in our construction material costs of approximately HK\$15.0 million, representing approximately 29.4% from approximately HK\$51.0 million in FY2018 to approximately HK\$36.0 million in FY2019. Such decrease was mainly due to the decreased construction material costs incurred for Project TMB-59 and Project TMB-63, in aggregate from approximately HK\$19.7 million for FY2018 to approximately HK\$1.5 million for FY2019, since a substantially higher portion of works for these projects was completed during FY2018; and the decreased costs of construction materials incurred for certain sizeable project such as Project TMB-67, which was primarily due to the decrease in the quantity of new construction materials required as we had reused our construction materials in this sizeable project during FY2019.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$57.1 million for FY2018 to approximately HK\$88.5 million for FY2019, representing an increase of approximately HK\$31.4 million or 54.9%. During the same period, our gross profit margin increased from approximately 13.8% for FY2018 to 17.5% for FY2019. Such improvement in gross profit was mainly driven by several sizeable public building construction projects, in particular, Project TMB-52, Project TMB-53 and Project TMB-70, in which we recorded gross profit of approximately HK\$60.3 million in aggregate for FY2019, representing approximately 68.2% of gross profit for FY2019; the gross profit margin of these three sizeable projects was relatively higher in FY2019 as they

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required less new construction materials during the year as a result of the repeated use of existing construction materials, and therefore incurred less construction material costs despite the increase in revenue generated. Such increase in our gross profit and gross profit margin was partially offset by the decrease in gross profit from recorded from Project TMB-32 (Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link) and Project TMB-44 (Kai Tak development), two projects related to the Ten Major Infrastructure Projects. Our Group recorded gross profit of approximately HK\$1.6 million for FY2019 as compared to approximately HK\$13.7 million for FY2018, representing a decreased of approximately HK\$12.1 million or 88.4%. Our Group recorded relatively lower gross profit margin from private sector projects of approximately 6.5% for FY2019, which was mainly attributable to (i) relatively higher direct labour costs incurred for Project TMB-63, Project TMB-67 and Project TMB-76 as we had to coordinate and share the limited working space of these congested construction sites with other subcontractors who were responsible for other works, as such, the construction process of these three projects was inevitably prolonged and we therefore incurred more direct labour costs; and (ii) Project TMB-69, a private project involved a repetitive floor plan in a multi-storey building, for which we charged a thinner gross profit margin due to keen competition for such type of projects in the market.

Other income

Our other income increased from approximately HK\$6,000 for FY2018 to approximately HK\$1.1 million for FY2019 as a result of the recognition of gross rental from lease of metal scaffold equipment and related parts to an independent third party for FY2019, which amounted to approximately HK\$1.0 million. We did not generate such rental income for FY2018.

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately HK\$7.3 million for FY2018 to approximately HK\$9.8 million for FY2019. Such increase was mainly due to (i) an increase in staff costs (including Directors' remuneration) of approximately HK\$1.3 million from approximately HK\$5.7 million for FY2018 to approximately HK\$7.0 million for FY2019 mainly as a result of the increase in directors' remuneration for FY2019; and (ii) an increase in legal and professional fee of approximately HK\$1.0 million from approximately HK\$0.3 million for FY2018 to approximately HK\$1.3 million for FY2019, which was mainly in relation to the independent checking engineer services.

Finance costs

Our finance costs increased from HK\$39,000 for FY2018 to HK\$48,000 for FY2019, which was primarily as a result of the increase in the interest expenses in respect of our lease liabilities.

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Income tax expenses

Income tax expenses of approximately HK\$8.1 million and HK\$13.1 million was recognised for FY2018 and FY2019, respectively. Our effective tax rate was approximately 16.2% and 16.9% for FY2018 and FY2019, respectively. Our Group is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits. Such increase was mainly due to (i) the increase in our profit before tax from approximately HK\$49.8 million for FY2018 to approximately HK\$77.6 million for FY2019; and (ii) the tax effect of the non-deductible listing expenses of approximately HK\$2.1 million incurred during FY2019.

Profit after tax and net profit margin

As a result of the foregoing, our profit after tax for FY2018 and FY2019 was approximately HK\$41.8 million and HK\$64.5 million respectively. Our net profit margin for FY2018 and FY2019 was approximately 10.1% and 12.8% respectively.

FY2018 compared to FY2017

Revenue

Our revenue decreased from approximately HK\$440.1 million for FY2017 to approximately HK\$415.3 million for FY2018, representing a decrease of approximately HK\$24.8 million or 5.6%. Such decrease was mainly attributable to the net effect of:

- (i) the decrease in revenue recognised from Project TMB-21, Project TMB-32, Project TMB-41, Project TMB-49, Project TMB-50, Project TMB-52 and Project TMB-53, in aggregate from approximately HK\$387.4 million for FY2017 to approximately HK\$108.4 million for FY2018 as substantial portion of such sizeable projects was undertaken in FY2017 as compared with FY2018. Among the projects that recognised less revenue during FY2018 as mentioned above, Project TMB-49 and Project TMB-50 were completed during the year;
- (ii) the increase in our revenue derived from Project TMB-54, Project TMB-55 and Project TMB-59, in aggregate from approximately HK\$8.9 million for FY2017 to approximately HK\$142.3 million for FY2018 as substantial portion of such projects was undertaken in FY2018; and
- (iii) our revenue derived from a number of new projects commenced during FY2018, in aggregate amounting to approximately HK\$125.9 million.

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Cost of services

Our cost of services decreased from approximately HK\$386.4 million for FY2017 to approximately HK\$358.2 million for FY2018, representing a decrease of 7.3% or approximately HK\$28.2 million. Such decrease was mainly due to the net effect of the following:

- (i) Our direct labour costs decreased by approximately HK\$28.5 million from approximately HK\$313.7 million for FY2017 to approximately HK\$285.2 million for FY2018, representing a decrease of approximately 9.1%. Such decrease was mainly attributable to (a) the decreased direct labour costs incurred for Project TMB-21 and Project TMB-32 from approximately HK\$123.2 million for FY2017 to approximately HK\$26.2 million for FY2018 due to the decrease in revenue of approximately HK\$135.6 million recognised from these two projects for FY2018; (b) the decrease in number of man-days and average daily wages for our site workers in FY2018. The decrease was partly offset by the increase in direct labour costs incurred for Project TMB-53 and Project TMB-55 from approximately HK\$25.3 million in FY2017 to HK\$74.9 million in FY2018 as a result of more construction works completed during FY2018 and an increase in performance based allowance of approximately HK\$2.8 million to Mr. Cheung Kit Hung, our Director and chief executive officer, in recognition of his work performance during the year, in particular, his contribution and efforts in tendering certain sizeable projects which were eventually awarded to our Group during FY2017 and FY2018, including but not limited to, Project TMB-52, Project TMB-53 and Project TMB-55, with an aggregate original contract sum of approximately HK\$318.6 million.
- (ii) our subcontracting charges decreased by approximately HK\$10.9 million from approximately HK\$16.1 million for FY2017 to approximately HK\$5.2 million for FY2018, representing a decrease of approximately 67.7%. Such subcontractors were mainly engaged for sizeable projects such as Project TMB-32 and Project TMB-52 in FY2017. Our Group had to subcontract more formwork works to our subcontractors in FY2017 to ensure our formwork works to be completed on time under tight deadlines; and
- (iii) our construction material costs increased by approximately HK\$10.4 million from approximately HK\$40.6 million for FY2017 to approximately HK\$51.0 million for FY2018, representing an increase of approximately 25.6%. Such increase was mainly due to the commencement of project Project TMB-63 and Project TMB-67 in FY2018, indicating a relatively higher upfront material costs incurred.

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Gross profit and gross profit margin

Despite a decrease in our revenue of approximately HK\$24.8 million or 5.6% during FY2018 as compared to FY2017, our gross profit remained stable at approximately HK\$53.7 million and HK\$57.1 million for FY2017 and FY2018, respectively. This was mainly attributable to the improvement in our gross profit margin from approximately 12.2% for FY2017 to approximately 13.8% million for FY2018. Our Group recorded relatively lower gross profit margin from private sector projects of approximately 7.9% for FY2017, such lower gross profit margin from private sector projects was mainly attributable to (i) Project TMB-21, in which we incurred relatively higher direct labour costs due to the unexpected delay in the project progress; and (ii) Project TMB-50, in which we incurred relatively higher direct labour costs as our workers worked overtime under tight schedule, and our workers were paid higher wages for overtime.

Other income

Our other income remained stable at approximately HK\$10,000 for FY2017 and HK\$6,000 for FY2018.

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately HK\$6.8 million for FY2017 to approximately HK\$7.3 million for FY2018, such increase was primarily attributable to the increase in our other administrative and other operating expenses of approximately HK\$494,000, mainly representing an increase in tax surcharge expenses and entertainment expenses for FY2018.

Finance costs

Our finance costs increased from approximately HK\$23,000 for FY2017 to HK\$39,000 for FY2018, such increase was mainly attributable to the increase in the interest expenses in respect of our lease liabilities.

Income tax expenses

Income tax expenses of approximately HK\$8.0 million and HK\$8.1 million was recognised for FY2017 and FY2018, respectively. Our effective tax rate was approximately 16.9% and 16.2% for FY2017 and FY2018, respectively. Our Group is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits.

Profit after tax and net profit margin

As a result of the foregoing, our profit after tax for FY2017 and FY2018 was approximately HK\$39.0 million and HK\$41.8 million respectively. Our net profit margin for FY2017 and FY2018 was approximately 8.9% and 10.1% respectively.

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LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our Group's operations were generally financed through a combination of shareholder's equity and internally generated cash flows. Upon completion of the Share Offer, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Share Offer for implementing our future plans as detailed "Future plans and use of proceeds" in this prospectus.

Cash flows

The following table sets forth a summary of our Group's combined statements of cash flows for the years indicated:

	FY2017	FY2018	FY2019	FY2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before changes in working capital	50,105	54,360	84,190	56,578
Change in working capital	6,392	(36,368)	(26,554)	(50,632)
Income tax paid	(780)	(3,165)	(7,621)	(9,751)
Finance cost paid	(23)	(39)	(48)	(176)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash from/(used in) operating activities	55,694	14,788	49,967	(3,981)
Net cash (used in) investing activities	(5,213)	(10,139)	(1,286)	(25)
Net cash (used in)/from financing activities	(17,424)	(21,031)	(44,344)	13,945
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents	33,057	(16,382)	4,337	9,939
Cash and cash equivalents at beginning of year	12,905	45,962	29,580	33,917
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at end of year	<u>45,962</u>	<u>29,580</u>	<u>33,917</u>	<u>43,856</u>

Cash flows from operating activities

Our cash inflow from operating activities is primarily generated from the provision of formwork works. During the Track Record Period, our working capital requirements typically arose from settlement of our direct labour cost, subcontracting charges and materials purchases. Our cash flow from operating activities was affected by a number of factors, including the progress of formwork works projects and the settlement of trade receivables from our customers and trade payables by our Group.

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The following table sets forth a reconciliation of our profit before tax to net cash from operating activities:

	FY2017	FY2018	FY2019	FY2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	46,931	49,835	77,579	48,862
Adjustments for:				
Depreciation of property, plant and equipment	3,305	4,419	6,575	5,412
Finance costs	23	39	48	176
Loss on disposal of property, plant and equipment	–	13	–	–
Gain on de-recognition of lease liabilities and right-of-use assets, net	–	–	–	(21)
Bank interest income	–	–	(2)	–
(Reversal of) Provision for impairment loss on trade receivables, net	(36)	5	1	1,096
Provision for (Reversal of) impairment loss on contract assets, net	(118)	49	(11)	1,053
Operating cash flows before changes in working capital	50,105	54,360	84,190	56,578
Change in working capital				
Decrease/(Increase) trade and other receivables	15,479	(4,812)	(9,299)	(126,996)
Decrease/(Increase) contract assets	435	(29,192)	(10,787)	(24,623)
(Increase)/Decrease contract costs	–	(472)	472	(2,439)
(Decrease)/Increase trade and other payables	(9,522)	(1,892)	(6,940)	103,426
Cash generated from operations	<u>56,497</u>	<u>17,992</u>	<u>57,636</u>	<u>5,946</u>
Income tax paid	(780)	(3,165)	(7,621)	(9,751)
Finance cost paid	(23)	(39)	(48)	(176)
Net cash from/(used in) operating activities	<u>55,694</u>	<u>14,788</u>	<u>49,967</u>	<u>(3,981)</u>

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Cash flows from operating activities for FY2017, FY2018, FY2019 and FY2020

For FY2017, we recorded profit before tax of approximately HK\$46.9 million, and net cash from operating activities of approximately HK\$55.7 million, which was mainly resulted from the decrease in trade and other receivables of approximately HK\$15.5 million, and partially offset by the decrease in trade and other payables of approximately HK\$9.5 million.

For FY2018, we recorded profit before tax of approximately HK\$49.8 million, and net cash from operating activities of approximately HK\$14.8 million, which was mainly resulted from the increase in contract assets of approximately HK\$29.2 million and partially offset by the increase in trade and other receivables of approximately HK\$4.8 million.

For FY2019, we recorded profit before tax of approximately HK\$77.6 million, and net cash from operating activities of approximately HK\$50.0 million, which was mainly resulted from (i) the increase in contract assets of approximately HK\$10.8 million; (ii) the increase in trade and other receivables of approximately HK\$9.3 million; and (iii) the decrease in trade and other payables of approximately HK\$6.9 million.

For FY2020, we recorded profit before tax of approximately HK\$48.9 million, and net cash used in operating activities of approximately HK\$4.0 million, which was mainly because payment in operating activities exceeded the cash receipt from customers, which was mainly resulted from: (i) the payment for cost of services such as higher construction material costs, direct labour costs and subcontracting charges incurred for several sizeable projects commenced during the second half of FY2020, in particular, the aggregate cash outflow for Project TMB-84 and Project TMB-87 during FY2020 amounted to approximately HK\$71.2 million; (ii) despite substantial portion of works performed for these sizeable projects for the period, some of the corresponding payment applications submitted were certified and settled after FY2020, in particular, the aggregate cash receipt from Project TMB-84 and Project TMB-87 was only approximately HK\$55.4 million during FY2020; (iii) the longer time taken by our customers to process our payment applications and arrange settlement due to the work-from-home arrangement during the outbreak of COVID-19; and (iv) payment for Listing expenses increased by approximately HK\$4.2 million for FY2020 as compared to that for FY2019. Due to the nature of our business operations, our customers make progress payments to us according to our work progress while we have already incurred substantial upfront costs on materials and labour at the beginning of the projects. However, for the purpose of improving our cash flow position in view of net cash outflow from operating activities for FY2020, our Group will enhanced the internal credit risk management, including but not limited to making weekly call with our customers to understand the progress and status of payment certification and settlement after the week of submitting the payment application, sending payment reminders and statements of outstanding balance more frequently and meeting with our customers every month for overdue trade receivables. As at the Latest Practicable Date, approximately 97.5%, which amounted to approximately HK\$135.0 million, of our trade receivables as at 31 March 2020 was subsequently settled.

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Cash flows from investing activities

Our cash outflow in investing activities primarily comprises the payment of purchases of property, plant and equipment. We had net cash outflow in investing activities of approximately HK\$5.2 million, HK\$10.1 million, HK\$1.3 million and HK\$25,000 for FY2017, FY2018, FY2019 and FY2020, respectively.

Cash flows from financing activities

Our cash flows in financing activities comprises the payment of dividends, repayment to/advance from Mr. Leung, addition/repayment of interest-bearing borrowings and repayment of lease liabilities. We had net cash outflow in financing activities of approximately HK\$17.4 million, HK\$21.0 million and HK\$44.3 million for FY2017, FY2018 and FY2019, respectively, which was mainly due to the payment of dividends of HK\$14.0 million, HK\$17.0 million and HK\$36.0 million for FY2017, FY2018 and FY2019, respectively. We had net cash inflow in financing activities of approximately HK\$13.9 million for FY2020, which was mainly due to the addition of interest-bearing borrowings of HK\$16.8 million for FY2020.

	FY2017	FY2018	FY2019	FY2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend paid	(14,000)	(17,000)	(36,000)	–
Addition of interest-bearing borrowings	–	–	–	16,821
Repayment of interest-bearing borrowings	–	–	–	(1,721)
(Repayment to)/Advance from Mr. Leung	(3,060)	(3,493)	(7,502)	(532)
Repayment of lease liabilities	(364)	(538)	(842)	(623)
	(17,424)	(21,031)	(44,344)	13,945

NET CURRENT ASSETS

We recorded net current assets of approximately HK\$63.0 million, HK\$82.5 million, HK\$115.6 million, HK\$157.3 million and HK\$168.8 million as at 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and 31 July 2020, respectively. The current assets and current liabilities of our Group as at 31 July 2020 are extracted from the unaudited management accounts of our Group and have been reviewed by our Company's Reporting Accountants, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410,

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“Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 March				As at 31 July 2020
	2017	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Current assets					
Trade and other receivables	2,901	7,708	17,006	142,906	131,596
Contract assets	79,311	108,454	119,252	142,822	79,331
Contract costs	–	472	–	2,439	11,311
Bank balances and cash	45,962	29,580	33,917	43,856	30,149
	128,174	146,214	170,175	332,023	252,387
Current liabilities					
Trade and other payables	37,990	36,098	29,158	132,584	46,059
Interest-bearing borrowings	–	–	–	15,100	11,404
Amount due to Mr. Leung	11,701	8,208	706	174	174
Income tax payable	15,235	18,704	24,145	26,218	25,386
Lease liabilities	258	742	562	601	539
	65,184	63,752	54,571	174,677	83,562
Net current assets	62,990	82,462	115,604	157,346	168,825

Our net current assets increased by approximately HK\$19.5 million from approximately HK\$63.0 million as at 31 March 2017 to approximately HK\$82.5 million as at 31 March 2018, which was primarily due to (i) the increase in trade and other receivables of approximately HK\$4.8 million from approximately HK\$2.9 million as at 31 March 2017 to approximately HK\$7.7 million as at 31 March 2018; (ii) the increase in contract assets of approximately HK\$29.2 million from approximately HK\$79.3 million as at 31 March 2017 to approximately HK\$108.5 million as at 31 March 2018; and (iii) the decrease in amount due to Mr. Leung of approximately HK\$3.5 million from approximately HK\$11.7 million as at 31 March 2017 to approximately HK\$8.2 million as at 31 March 2018, and partially offset by (i) the decrease in bank balances and cash of approximately HK\$16.4 million from approximately HK\$46.0 million as at 31 March 2017 to approximately HK\$29.6 million as at 31 March 2018; and (ii) the increase in income tax payable of approximately HK\$3.5 million from approximately HK\$15.2 million as at 31 March 2017 to approximately HK\$18.7 million as at 31 March 2018.

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Our net current assets increased by approximately HK\$33.1 million from approximately HK\$82.5 million as at 31 March 2018 to approximately HK\$115.6 million as at 31 March 2019, which was primarily due to (i) the increase in trade and other receivables of approximately HK\$9.3 million from approximately HK\$7.7 million as at 31 March 2018 to approximately HK\$17.0 million as at 31 March 2019; (ii) the increase in contract assets of approximately HK\$10.8 million from approximately HK\$108.5 million as at 31 March 2018 to approximately HK\$119.3 million as at 31 March 2019; (iii) the increase in bank balances and cash of approximately HK\$4.3 million from approximately HK\$29.6 million as at 31 March 2018 to approximately HK\$33.9 million as at 31 March 2019; (iv) the decrease in trade and other payables of approximately HK\$6.9 million from approximately HK\$36.1 million as at 31 March 2018 to approximately HK\$29.2 million as at 31 March 2019, and (v) the decrease in amount due to Mr. Leung of approximately HK\$7.5 million from approximately HK\$8.2 million as at 31 March 2018 to approximately HK\$0.7 million as at 31 March 2019, and partially offset by the increase in income tax payable of approximately HK\$5.4 million from approximately HK\$18.7 million as at 31 March 2018 to approximately HK\$24.1 million as at 31 March 2019.

Our net current assets increased by approximately HK\$41.7 million from approximately HK\$115.6 million as at 31 March 2019 to approximately HK\$157.3 million as at 31 March 2020, which was primarily due to (i) the increase in trade and other receivables of approximately HK\$125.9 million from approximately HK\$17.0 million as at 31 March 2019 to approximately HK\$142.9 million as at 31 March 2020; (ii) the increase in contract assets of approximately HK\$23.5 million from approximately HK\$119.3 million as at 31 March 2019 to approximately HK\$142.8 million as at 31 March 2020; and (iii) the increase in bank balances and cash of approximately HK\$10.0 million from approximately HK\$33.9 million as at 31 March 2019 to approximately HK\$43.9 million as at 31 March 2020, and partially offset by (i) the increase in trade and other payables of approximately HK\$103.4 million from approximately HK\$29.2 million as at 31 March 2019 to approximately HK\$132.6 million as at 31 March 2020; (ii) the interest-bearing borrowings of approximately HK\$15.1 million as at 31 March 2020; and (iii) the increase in income tax payable of approximately HK\$2.1 million from approximately HK\$24.1 million as at 31 March 2019 to approximately HK\$26.2 million as at 31 March 2020.

Our net current assets increased by approximately HK\$5.5 million from approximately HK\$157.3 million as at 31 March 2020 to approximately HK\$168.8 million as at 31 July 2020, which was primarily due to (i) the decrease in trade and other payables of approximately HK\$86.5 million from approximately HK\$132.6 million as at 31 March 2020 to approximately HK\$46.1 million as at 31 July 2020 mainly due to the decrease in trade payables and salaries payables as a result of the substantial amount of settlement of trade and other payables subsequent to 31 March 2020; and partially offset by the (i) decrease in trade and other receivables of approximately HK\$11.3 million from approximately HK\$142.9 million as at 31 March 2020 to approximately HK\$131.6 million as at 31 July 2020; and (ii) the decrease in

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contract assets of approximately HK\$63.5 million from approximately HK\$142.8 million as at 31 March 2020 to approximately HK\$79.3 million as at 31 July 2020, which was mainly resulted from the subsequent settlement of trade receivables and the subsequent certification of contract assets after 31 March 2020; and (iii) the decrease in bank balances and cash of approximately HK\$13.8 million from approximately HK\$43.9 million as at 31 March 2020 to approximately HK\$30.1 million as at 31 July 2020.

DESCRIPTION OF SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Further discussion of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

Property, plant and equipment

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets	432	1,134	600	1,585
Metal scaffold equipment and related parts	8,016	14,286	9,841	5,157
Motor vehicles	20	–	–	–
Furniture and fixtures	21	16	39	28
Decoration	480	474	450	407
Computer equipment	–	13	14	14
	<u>8,969</u>	<u>15,923</u>	<u>10,944</u>	<u>7,191</u>

Our property and equipment represented (i) right-of-use assets; (ii) metal scaffold equipment and related parts; (iii) motor vehicles; (iv) furniture and fixtures; (v) decoration; and (vi) computer equipment, which in aggregate amounted to approximately HK\$9.0 million, HK\$15.9 million, HK\$10.9 million and HK\$7.2 million as at 31 March 2017, 2018, 2019, and 2020, respectively.

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Trade and other receivables

Our trade and other receivables comprise (i) trade receivables of formwork works services; and (ii) other receivables. The following table sets forth the details of our trade and other receivables as at the dates indicated:

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables of				
construction works	7,126	11,922	16,041	143,985
Less: Allowance for ECL	(4,392)	(4,397)	(4,398)	(5,494)
	2,734	7,525	11,643	138,491
Other receivables				
Deposits and other				
receivables	167	163	506	497
Prepayment for Listing				
expenses	–	–	4,833	710
Prepayment to suppliers	–	–	–	2,600
Other prepaid expenses	–	20	24	608
	167	183	5,363	4,415
	2,901	7,708	17,006	142,906

Trade receivables (net of allowance for ECL)

During the Track Record Period, our trade receivables were primarily comprised of (i) the amounts of formwork works performed by us that the payment applications certified by our customers, but not yet have been paid by our customers; and (ii) retention receivables reallocated to trade receivables from contract assets when the rights of receiving it becomes unconditional.

As our business is project-based, our trade receivables are mainly affected by the actual work progress of our ongoing projects, the amounts certified by the relevant customers and the amounts settled by the relevant customers as at the respective reporting dates.

Our trade receivables increased by approximately HK\$4.8 million from approximately HK\$2.7 million as at 31 March 2017 to approximately HK\$7.5 million as at 31 March 2018. Such increase was mainly driven by our trade receivables recorded from Project TMB-52 of approximately HK\$2.2 million and Project TMB-64 of approximately HK\$1.6 million as at 31 March 2018.

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Our trade receivables increased by approximately HK\$4.1 million from approximately HK\$7.5 million as at 31 March 2018 to approximately HK\$11.6 million as at 31 March 2019. Such increase was mainly attributable to the trade receivables of approximately HK\$4.0 million recorded from Project TMB-55 as at 31 March 2019.

Our trade receivables increased by approximately HK\$126.9 million from approximately HK\$11.6 million as at 31 March 2019 to approximately HK\$138.5 million as at 31 March 2020. Such increase was mainly attributable to the trade receivables recorded from Project TMB-53, Project TMB-70, Project TMB-75, Project TMB-76, Project TMB-84, Project TMB-87 and Project TMB-90, in aggregate amounting approximately HK\$111.6 million as at 31 March 2020. Amongst these projects, approximately HK\$81.8 million of trade receivables was resulted from the works performed in January and February 2020 for Project TMB-70, Project TMB-75, Project TMB-84, Project TMB-87 and Project TMB-90.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2017	FY2018	FY2019	FY2020
Trade receivables turnover days ⁽¹⁾	<u>8.7</u>	<u>4.5</u>	<u>6.9</u>	<u>63.0</u>
Trade receivables turnover days (including unbilled revenue of construction works) ⁽²⁾	<u>46.6</u>	<u>51.0</u>	<u>60.4</u>	<u>139.2</u>
Trade receivables turnover days (including contract assets) ⁽³⁾	<u>74.6</u>	<u>87.0</u>	<u>89.2</u>	<u>173.1</u>

Notes:

- Trade receivables turnover days are 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 respective year (i.e. 365 days for a full financial year).
- Trade receivables turnover days (including unbilled revenue of construction works) are calculated based on the average of the beginning and ending balance of the sum of (i) trade receivables and (ii) unbilled revenue of construction works under contract assets divided by revenue during the year, then multiplied by the number of days of the respective year (i.e. 365 days for a full financial year).
- Trade receivables turnover days (including contract assets) are calculated based on the average of the beginning and ending balance of the sum of (i) trade receivables and (ii) contract assets divided by revenue during the year, then multiplied by the number of days of the respective year (i.e. 365 days for a full financial year).

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Our Group would normally require our customers to certify the formwork works completed and make payments within 35 days from the submission date of payment applications to our customers. The credit period granted to our customers started from the submission date of payment applications to our customers, while we recognised trade receivables when such applications are certified by our customers. There is usually a time gap between our submission of payment applications and the issuance of payment certificate by our customers; and our customers usually settle the payment with us shortly after the payment application is certified. During the Track Record Period, our trade receivables turnover days were approximately 8.7 days, 4.5 days, 6.9 days and 63.0 days for FY2017, FY2018, FY2019 and FY2020, respectively.

Our trade receivables turnover days increased from approximately 6.9 days for FY2019 to approximately 63.0 days for FY2020, which was mainly attributable to the significant increase of approximately HK\$126.9 million in our trade receivables as at 31 March 2020 as compared to 31 March 2019, owing to (i) the balance of trade receivables of certain projects including Project TMB-53, Project TMB-70, Project TMB-75, Project TMB-76, Project TMB-84, Project TMB-87 and Project TMB-90, with an aggregate amount of approximately HK\$111.6 million; and (ii) our customers took a longer time to settle the trade receivables as a result of work-from-home arrangement during the outbreak of COVID-19.

Our Group recognises unbilled revenue of construction works as contract assets when payment applications are submitted to our customers. Such unbilled revenue would be transferred to trade receivables when we obtain the payment certification from our customers. We recorded trade receivables turnover days (including unbilled revenue of construction works under contract assets) of approximately 46.6 days, 51.0 days and 60.4 days for FY2017, FY2018 and FY2019, respectively, which was mainly in line with the increasing trend of our trade receivables and unbilled revenue of construction works from FY2017 to FY2019. For details of fluctuations of our trade receivables and unbilled revenue of construction works during the Track Record Period, please refer to paragraphs headed “Trade receivables (net of allowance for ECL)” and “Unbilled revenue of construction works” in this section. Our trade receivables turnover days (including unbilled revenue of construction works) further increased from approximately 60.4 days for FY2019 to approximately 139.2 days for FY2020. Such significant increase was mainly attributable to (i) the increase in trade receivables as mentioned above; and (ii) the increase in our unbilled revenue as at 31 March 2020 of approximately HK\$20.4 million, which was a combined effect of (i) an increased balance of Project TMB-84 and Project TMB-87 with an aggregate amount of approximately HK\$66.6 million, which was resulted from the substantial works performed and corresponding payment applications submitted in March 2020, for which the payment certificates were issued subsequent to 31 March 2020; and (ii) our customers took a longer time to process and certify our payment applications during the outbreak of COVID-19.

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Our Group recorded trade receivables turnover days (including contract assets) of approximately 74.6 days, 87.0 days, 89.2 days and 173.1 days for FY2017, FY2018, FY2019 and FY2020, respectively. Our contract assets include (i) unbilled revenue of construction works and (ii) retention money receivables of construction works. As the amount of our retention money receivables remained relatively stable as at each year end, the increasing trade receivables turnover days (including contract assets) were mainly in line with the increasing trend of our trade receivables turnover days (including unbilled revenue of construction works) as discussed above. Our Group's trade receivables turnover days (including contract assets) increased from approximately 74.6 days for FY2017 to approximately 173.1 days for FY2020, which was mainly because of (i) the relatively high balance of trade receivables of certain projects including Project TMB-53, Project TMB-70, Project TMB-75, Project TMB-76, Project TMB-84, Project TMB-87 and Project TMB-90 as at 31 March 2020; (ii) the increased balance of unbilled revenue of Project TMB-84 and Project TMB-87 as at 31 March 2020 as a result of the substantial works performed and corresponding payment applications submitted in March 2020, for which the payment certificates were issued subsequent to 31 March 2020; and (iii) longer time taken by our customers to process our payment applications and arrange settlement due to the work-from-home arrangement during the outbreak of COVID-19.

Ageing analysis of trade receivables of formwork works projects and subsequent settlement

The following table sets forth the ageing analysis of our trade receivables based on the date of payment applications as at the end of each reporting period indicated:

	At 31 March			
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	–	–	–	–
31 to 60 days	1,805	6,192	10,681	59,976
61 to 90 days	840	–	550	31,391
Over 90 days but				
less than one year	–	1,244	162	46,715
Over one year	89	89	250	409
	<u>2,734</u>	<u>7,525</u>	<u>11,643</u>	<u>138,491</u>

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The following table sets forth the ageing analysis of the trade receivables by due date as at the end of each reporting period indicated:

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	–	–	–	16,420
Past due:				
Within 30 days	1,805	6,192	10,681	56,303
31 to 60 days	840	–	–	20,142
61 to 90 days	–	–	550	18,125
Over 90 days but less than one year	–	1,244	162	27,092
Over one year	89	89	250	409
	<u>2,734</u>	<u>7,525</u>	<u>11,643</u>	<u>122,071</u>
	<u>2,734</u>	<u>7,525</u>	<u>11,643</u>	<u>138,491</u>

As at the Latest Practicable Date, approximately 97.5%, which amounting to approximately HK\$135.0 million, of our trade receivables as at 31 March 2020 was subsequently settled. For the subsequently settled amount, approximately HK\$42.7 million represented the settlement of our trade receivables aged over 90 days (based on the date of payment applications). This also accounted for approximately 90.6% of our trade receivables aged over 90 days (based on the date of payment applications) as at 31 March 2020. For prepayment to suppliers of approximately HK\$2.6 million as at 31 March 2020, all of the prepayment to suppliers as at 31 March 2020 has been subsequently delivered and utilised as at the Latest Practicable Date.

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Other receivables

During the Track Record Period, our Group's other receivables mainly included deposits and other receivables, prepayment for Listing expenses and other prepaid expenses. The table below sets forth a breakdown of our other receivables as at the end of the years indicated.

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other receivables				
Deposits and other receivables	167	163	506	497
Prepayment for Listing expenses	–	–	4,833	710
Prepayment to suppliers	–	–	–	2,600
Other prepaid expenses	–	20	24	608
	<u>167</u>	<u>183</u>	<u>5,363</u>	<u>4,415</u>

Our other receivables remained relatively stable at approximately HK\$167,000 and HK\$183,000 as at 31 March 2017 and 31 March 2018, respectively.

Our other receivables increased from approximately HK\$183,000 as at 31 March 2018 to HK\$5.4 million as at 31 March 2019. Such increase was mainly because we recorded prepayment for Listing expenses of approximately HK\$4.8 million as at 31 March 2019.

Our other receivables decreased from approximately HK\$5.4 million as at 31 March 2019 to HK\$4.4 million as at 31 March 2020. Such decrease was mainly attributable to the decrease in prepayment for Listing expenses of approximately HK\$4.1 million and partially offset by the increase in prepayment to suppliers of approximately HK\$2.6 million as at 31 March 2020, which represented the prepayment to one of the system formworks suppliers.

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Contract assets (net of allowance for ECL)

Our Group recorded contract assets (net of allowance for ECL) of approximately HK\$79.3 million, HK\$108.5 million, HK\$119.3 million and HK\$142.8 million as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020 respectively. Our contract assets included unbilled revenue of construction works and retention money receivables of construction works.

Our Group's contract assets are analysed as follows:

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unbilled revenue of construction works	38,536	67,307	80,904	101,288
Retention money receivables of construction works	40,822	41,243	38,433	42,672
	<u>79,358</u>	<u>108,550</u>	<u>119,337</u>	<u>143,960</u>
Less: Allowance for ECL	(47)	(96)	(85)	(1,138)
	<u><u>79,311</u></u>	<u><u>108,454</u></u>	<u><u>119,252</u></u>	<u><u>142,822</u></u>

Unbilled revenue of construction works

Unbilled revenue included in contract assets represents our Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by our customers on the construction works completed by our Group and the works are pending for the certification by our customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time our Group obtains the certification of the completion construction works from our customers.

Our unbilled revenue increased from approximately HK\$38.5 million as at 31 March 2017 to approximately HK\$67.3 million as at 31 March 2018, such increase was mainly attributable to the unbilled revenue recorded from Project TMB-53, Project TMB-55, Project TMB-63 and Project TMB-64, in aggregate amounting to approximately HK\$43.7 million as at 31 March 2018.

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Our unbilled revenue further increased from approximately HK\$67.3 million as at 31 March 2018 to approximately HK\$80.9 million as at 31 March 2019, such increase was mainly attributable to the unbilled revenue recorded from Project TMB-53 and Project TMB-55, in aggregate amounting to approximately HK\$30.9 million as at 31 March 2019.

Our unbilled revenue subsequently increased from approximately HK\$80.9 million as at 31 March 2019 to approximately HK\$101.3 million as at 31 March 2020. Such increase was mainly attributable to the combined effect of (i) unbilled revenue recorded from Project TMB-84 and Project TMB-87, in aggregate amounting to approximately HK\$66.6 million; and (ii) the transfer of unbilled revenue recorded from Project TMB-52, Project TMB-53 and Project TMB-55 to our trade receivables for settlements, in aggregate amounting to approximately HK\$39.0 million.

Of the unbilled revenue (net of allowance for ECL) of approximately HK\$100.5 million as at 31 March 2020, approximately 76.0% (which amounted to approximately HK\$76.4 million) had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date. No unbilled revenue aged over 90 days but less than one year (based on the date of payment applications) was noted as at 31 March 2020.

The following table sets forth an ageing analysis of unbilled revenue of construction works based on the date of payment applications as at the end of each reporting period.

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	29,918	44,636	59,463	101,288
31 to 60 days	8,618	16,185	19,832	–
61 to 90 days	–	6,486	1,609	–
Over 90 days but less than one year	–	–	–	–
	<u>38,536</u>	<u>67,307</u>	<u>80,904</u>	<u>101,288</u>
Less: Allowance for ECL	(23)	(60)	(56)	(801)
	<u><u>38,513</u></u>	<u><u>67,247</u></u>	<u><u>80,848</u></u>	<u><u>100,487</u></u>

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The following table sets forth a breakdown of unbilled revenue of construction works as at the end of each reporting period by customers and projects.

Customer	Project code	At 31 March				Subsequent certification as at the Latest Practicable Date HK\$'000	Percentage of subsequent certification as at the Latest Practical Date
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000		
Customer A	TMB-41	1,701	2,213	627	–	–	–
	TMB-49	1,101	453	–	–	–	–
	TMB-50	360	–	–	–	–	–
	TMB-59	381	1,376	–	–	–	–
	TMB-61	–	851	1,737	–	–	–
	TMB-63	–	13,307	3,382	–	–	–
	TMB-67	–	4,078	1,773	–	–	–
	TMB-69	–	1,285	3,482	–	–	–
	TMB-76	–	–	2,813	–	–	–
	TMB-84	–	–	–	45,913	45,913	100%
TMB-86	–	–	–	4,965	4,965	100%	
TMB-90	–	–	–	858	858	100%	
Customer B	TMB-32	17,995	4,046	–	–	–	–
Customer C	TMB-44	2,507	–	–	–	–	–
	TMB-52	1,500	1,906	8,112	–	–	–
	TMB-53	6,832	9,578	15,210	–	–	–
	TMB-54	355	2,859	1,601	–	–	–
	TMB-62	–	1,936	1,188	–	–	–
	TMB-64	–	5,073	337	–	–	–
	TMB-68	–	2,392	33	316	316	100%
	TMB-70	–	–	11,927	11,126	11,150	100%
	TMB-77	–	N/A	N/A	–	–	–
	TMB-94	–	–	–	3,787	3,787	100%
Customer D	TMB-21	509	227	–	–	–	–
Customer E	TMB-45	248	–	–	–	–	–
	TMB-47	372	–	–	–	–	–
	TMB-82	–	–	–	1,738	1,738	100%
	TMB-88	–	–	–	1,079	1,079	100%
	TMB-89	–	–	–	835	835	100%
	TMB-91	–	–	–	1,184	1,184	100%
	TMB-92	–	–	–	794	794	100%
	TMB-55	3,520	15,727	15,644	–	–	–
TMB-71	–	–	2,441	–	–	–	
TMB-75	–	–	5,642	4,570	4,570	100%	
TMB-78	–	–	–	–	–	–	
TMB-85	–	–	–	553	553	100%	
Customer H	TMB-73	–	–	1,627	–	–	–
Customer I	TMB-66	–	–	2,359	–	–	–
Customer J	TMB-80	–	–	167	–	–	–
Customer K	TMB-57	875	–	–	–	–	–
	TMB-72	–	–	174	–	–	–
	TMB-83	–	–	–	–	–	–
Customer L	TMB-79	–	–	514	–	–	–
Customer N	TMB-58	280	–	114	859	859	100%
Customer O	TMB-81	–	–	–	1,015	1,015	100%
Customer P	TMB-87	–	–	–	20,693	20,693	100%
Customer S	TMB-97	–	–	–	1,003	1,003	100%
		38,536	67,307	80,904	101,288	101,288	100%
Less: Allowance for ECL		(23)	(60)	(56)	(801)		
		<u>38,513</u>	<u>67,247</u>	<u>80,848</u>	<u>100,487</u>		

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Retention money receivables of construction works

When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally up to 10% of each interim payment and in aggregate subject to a maximum limit of 5% of the total contract sum. In general, the first half of the retention money will be released upon the practical completion of our works and the remaining will be released after the completion of defects liability period within 12 to 24 months specified in the relevant contracts or within 12 months of the completion of our works in the absence of a specified defects liability period. As at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, our retention money receivables (net of allowance for ECL) remained stable at to approximately HK\$40.8 million, HK\$41.2 million, HK\$38.4 million and HK\$42.3 million, respectively.

Our retention money receivables amounted to approximately HK\$42.3 million as at 31 March 2020, out of which approximately HK\$0.4 million has been transferred to trade receivables and settled up to the Latest Practicable Date. Our Directors are of the view that there should be no significant delay in the release of retention money in view of our customers' reputation and creditability, payment history and our business relationship with them.

The following table sets forth an ageing analysis of retention money receivables of construction works which are to be settled based on the respective contract terms as at the end of each reporting period:

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	12,801	10,798	9,240	12,329
After one year	28,021	30,445	29,193	30,343
	<u>40,822</u>	<u>41,243</u>	<u>38,433</u>	<u>42,672</u>
Less: Allowance for ECL	(24)	(36)	(29)	(337)
	<u>40,798</u>	<u>41,207</u>	<u>38,404</u>	<u>42,335</u>

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The following table sets forth a breakdown of retention money receivables of construction work by customers and by projects as at the end of each reporting period.

Customer	Project code	At 31 March			
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Customer A	TMB-40	2,005	–	–	–
	TMB-41	4,473	2,236	445	224
	TMB-49	3,054	1,480	740	740
	TMB-50	2,396	1,206	479	479
	TMB-59	42	1,376	688	321
	TMB-61	–	1,199	1,199	150
	TMB-63	–	3,349	3,800	1,900
	TMB-67	–	1,390	2,492	982
	TMB-69	–	143	1,325	1,325
	TMB-76	–	–	1,572	1,929
	TMB-84	–	–	–	5,882
	TMB-86	–	–	–	942
	TMB-90	–	–	–	1,028
	Customer B	TMB-32	15,936	5,050	–
Customer C	TMB-42	110	110	110	110
	TMB-44	504	504	–	–
	TMB-52	2,866	2,000	2,000	1,000
	TMB-53	4,844	7,050	3,527	1,763
	TMB-54	249	2,461	1,355	677
	TMB-62	–	215	402	201
	TMB-64	–	1,164	1,164	582
	TMB-68	–	407	470	470
	TMB-70	–	–	5,095	6,040
	TMB-77	–	–	926	495
TMB-94	–	–	–	421	
Customer D	TMB-21	883	1,100	550	–
Customer E	TMB-45	1,253	636	–	–
	TMB-46	630	323	–	–
	TMB-47	743	372	–	–
	TMB-82	–	–	–	638
	TMB-88	–	–	–	286
	TMB-89	–	–	–	214
	TMB-91	–	–	–	488
	TMB-92	–	–	–	443
	Customer F	TMB-55	614	5,591	5,591
TMB-71		–	–	744	744
TMB-75		–	–	1,769	4,438
TMB-78		–	–	–	177
TMB-85		–	–	–	147
TMB-93		–	–	–	100
Customer G	TMB-60	–	1,218	643	–
Customer H	TMB-73	–	–	415	240
Customer I	TMB-66	–	–	100	–
Customer J	TMB-80	–	–	20	308

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Customer	Project code	At 31 March			
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Customer K	TMB-57	205	102	–	–
	TMB-72	–	–	125	–
	TMB-83	–	–	–	28
Customer L	TMB-79	–	–	27	–
Customer N	TMB-58	15	561	660	751
Customer O	TMB-81	–	–	–	162
Customer P	TMB-87	–	–	–	2,941
Customer S	TMB-97	–	–	–	111
		40,822	41,243	38,433	42,672
Less: Allowance for ECL		(24)	(36)	(29)	(337)
		40,798	41,207	38,404	42,335

Trade and other payables

Our trade and other payables amounted to approximately HK\$38.0 million, HK\$36.1 million, HK\$29.2 million and HK\$132.6 million as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, respectively. The following table sets forth a breakdown of our trade and retention payables:

	At 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Trade payables	4,228	7,155	5,065	76,025
Other payables				
Salaries and other employee benefits payables	26,669	27,905	22,574	52,374
Amount due to a related company	6,438	–	–	–
Accruals and other payables	655	1,038	1,519	4,185
	33,762	28,943	24,093	56,559
	37,990	36,098	29,158	132,584

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Trade payables

Our trade payables are mainly comprised of payables to our suppliers of construction materials and rental service providers of metal scaffold equipment and subcontractors. Our Group is normally granted with a credit term up to 90 days during the Track Record Period.

We recorded trade payables of approximately HK\$4.2 million, HK\$7.2 million, HK\$5.1 million and HK\$76.0 million as at 31 March 2017, 31 March 2018, 31 March 2019, and 31 March 2020, respectively. The change in our trade payables was partly attributable to the difference in credit periods granted by different suppliers. As compared with the balances as at 31 March 2017 and 31 March 2019, our trade payables as at 31 March 2018 were relatively higher, which was mainly in line with the increase in our construction material costs during FY2018. In FY2018, we consumed more materials to perform formwork works on certain sizeable projects, such as Project TMB-63 and Project TMB-67. In particular, our trade payables increased from approximately HK\$5.1 million as at 31 March 2019 to approximately HK\$76.0 million as at 31 March 2020, which was mainly because our Group made more purchases of construction materials for projects commenced in the second half of FY2020, such as Project TMB-84, Project TMB-87 and Project TMB-90.

As at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, the ageing analysis of our trade payables, based on the invoice date as at each of the reporting date is set forth below:

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	3,184	6,535	3,212	75,985
61 to 90 days	1,044	557	979	–
Over 90 days	–	63	874	40
	<hr/>	<hr/>	<hr/>	<hr/>
Total	4,228	7,155	5,065	76,025
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Trade payables turnover days

The following table sets forth our trade payables turnover days during the Track Record Period:

	FY2017	FY2018	FY2019	FY2020
Trade payables turnover days ^(Note)	<u>6.0</u>	<u>5.8</u>	<u>5.4</u>	<u>41.6</u>

Note: Trade payables turnover days are calculated based on the average of the beginning and ending balance of trade payables divided by cost of services during the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Our trade payables turnover days remained stable at approximately 6.0 days, 5.8 days and 5.4 days for FY2017, FY2018 and FY2019, respectively. Our Group maintained timely settlement of trade payables with major suppliers during the Track Record Period. Our Group's trade payables turnover days increased to approximately 41.6 days for FY2020, which was mainly due to the higher balance of trade payables as at 31 March 2020 as a result of the increased purchase of construction materials for the newly commenced projects such as Project TMB-84, Project TMB-87 and Project TMB-90. Nevertheless, our trade payables turnover days were within the range of the granted credit period.

As at the Latest Practicable Date, approximately all (which amounted to approximately HK\$76.0 million) of the trade payables as at 31 March 2020 have been subsequently settled.

Other payables

During the Track Record Period, our other payables consisted of (i) salaries payable; (ii) amount due to a related company; and (iii) accruals and other payables. Our other payables amounted to approximately HK\$33.8 million, HK\$28.9 million, HK\$24.1 million and HK\$56.6 million as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, respectively.

The decrease in our other payables from approximately HK\$33.8 million as at 31 March 2017 to approximately HK\$28.9 million as at 31 March 2018 was mainly due to the settlement of the amount due to a related party of approximately HK\$6.4 million during FY2018. Such amount due was non-trade nature, unsecured, interest-free and repayable on demand.

Our other payables decreased from HK\$28.9 million as at 31 March 2018 to approximately HK\$24.1 million as at 31 March 2019. Such decrease was mainly due to the decrease in salaries payable of approximately HK\$5.3 million as at the end of FY2019.

Our other payable further increased from HK\$24.1 million as at 31 March 2019 to approximately HK\$56.6 million as at 31 March 2020. Such increase was mainly due to the high balance of salaries and other employee benefits payables as at 31 March 2020 as a result of substantial portion of works completed in March 2020, in particular, for Project TMB-84 and Project TMB-90.

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As at the Latest Practicable Date, approximately 89.7% (which amounted to approximately HK\$50.7 million) of the other payables as at 31 March 2020 have been subsequently settled.

Amount due to Mr. Leung

Our amount due to Mr. Leung amounted to approximately HK\$11.7 million, HK\$8.2 million, HK\$0.7 million, HK\$0.2 million as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020, respectively. Such amount due to Mr. Leung is non-trade nature, unsecured, interest-free and repayable on demand. Our Directors confirm that such amount will be fully settled prior to the Listing.

Lease liabilities

The following table sets out our lease liabilities under non-cancellable leases in respect of our leased properties as at the dates indicated:

	At 31 March			
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current	258	742	562	601
Non-current	182	407	53	1,004
	<u>440</u>	<u>1,149</u>	<u>615</u>	<u>1,605</u>

During the Track Record Period and up to the Latest Practicable Date, we lease various properties for the use of office and warehouse. These lease liabilities were measured at net present value of the lease payments during the lease terms that had not yet been paid. As at 31 March 2020, the lease liabilities were approximately HK\$1.6 million, of which HK\$0.6 million would be due within one year.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and 31 July 2020, being the latest practicable date for this indebtedness statement. The indebtedness figures of our Group as at 31 July 2020 are extracted from the unaudited management accounts of our Group and have been reviewed by our Company's Reporting Accountants, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Save as disclosed below and apart from intra-group liabilities, we did not have any other loan capital issued and outstanding

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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 July 2020.

		At 31 March			At 31 July 2020
	2017	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Interest-bearing borrowings	–	–	–	15,100	11,404
Amount due to Mr. Leung	11,701	8,208	706	174	174
Amount due to a related company	6,438	–	–	–	–
Lease liabilities	440	1,149	615	1,605	1,355
	<u>18,579</u>	<u>9,357</u>	<u>1,321</u>	<u>16,879</u>	<u>12,933</u>

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 are 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 July 2020 and up to the Latest Practicable Date.

Bank borrowings and overdraft facilities

As at 31 March 2017, 31 March 2018 and 31 March 2019, our Group did not have any outstanding bank borrowings. Our Group mainly financed through our internally generated funds, direct financial assistance from the Controlling Shareholder in the form of amount due to Mr. Leung. Please refer to Note 28 – “Accountants’ Report – Financial risk management objective and policies” to the Appendix I of this prospectus for more details. On 15 November 2019, our Group entered into a credit facility with a bank for an aggregate amount of approximately HK\$10.0 million that was secured by personal guarantees given by certain Directors and senior management of our Group. On 20 November 2019, our Group had drawn down a term loan with principal amount of approximately HK\$5.0 million. In February 2020, our Group entered into a credit facility for an aggregate amount of approximately HK\$11.8 million that was secured by personal guarantees given by certain Directors and senior management of our Group. The personal guarantees in relation to the above two credit facilities with an amount of HK\$10.0 million and HK\$11.8 million, respectively, will be released and

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replaced by a corporate guarantee provided by a member of our Group upon Listing. As at 31 March 2020, our Group has interest-bearing bank borrowings of approximately HK\$15.1 million, respectively. As at the Latest Practicable Date, the unutilised credit facilities available to our Group amounted to approximately HK\$5.0 million.

SELECTED KEY FINANCIAL RATIOS

	FY2017	FY2018	FY2019	FY2020
Return on equity (%) ⁽¹⁾	53.8	42.9	51.3	23.2
Return on total assets (%) ⁽²⁾	28.1	25.7	35.6	11.2
Interest coverage ratio (times) ⁽³⁾	N/A	N/A	N/A	441.8
	As at 31 March			
	2017	2018	2019	2020
Current ratio (times) ⁽⁴⁾	2.0	2.3	3.1	1.9
Quick ratio (times) ⁽⁵⁾	2.0	2.3	3.1	1.9
Gearing ratio (%) ⁽⁶⁾	25.0	8.4	0.6	9.3
Debt to equity ratio (%) ⁽⁷⁾	Net cash	Net cash	Net cash	Net cash

Notes:

- (1) Return on equity is calculated by dividing profit for the year by the total equity as at the respective year and multiplied the resulting value by 100%.
- (2) Return on total assets is calculated by dividing profit for the year by total assets as at the respective year and multiplied the resulting value by 100%.
- (3) Interest coverage ratio is calculated based on profit for the year before interest and taxation divided by interest on interest-bearing borrowings for the respective year. As at the end of FY2017, FY2018 and FY2019, our total debts included the amounts due to a related company and Mr. Leung were interest-free. Therefore, interest coverage ratio was not applicable. As at the end of FY2020, our total debts included amount due to Mr. Leung and interest-bearing borrowings.
- (4) Current ratio is calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
- (5) Quick ratio is calculated as the current assets excluded inventories divided by the total current liabilities as at the respective dates.
- (6) Gearing ratio is calculated based on the total debts divided by total equity as at the respective year and multiplied the resulting value by 100%. Total debts included the amounts due to a related company and Mr. Leung and interest-bearing borrowings.
- (7) Debt to equity ratio is calculated based on the net debt (being our total debts net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied the resulting value by 100%.

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Return on equity

Our return on equity decreased from approximately 53.8% for FY2017 to approximately 42.9% for FY2018, which was mainly due to the increase in our total equity of approximately 34.1% as at 31 March 2018.

Our return on equity increased to approximately 51.3% for FY2019, which was mainly due to the significant increase in the net profit for FY2019 of approximately 54.4% as compared to the net profit for FY2018.

Our return on equity decreased to approximately 23.2% for FY2020 as a result of the combined effect of the decrease in our net profit for the year of approximately 41.1% and the increase in equity of approximately 30.2%. In addition, no dividend was declared for FY2020 when compared to dividend of HK\$36.0 million declared for FY2019.

Return on total assets

Our return on total assets decreased from approximately 28.1% for FY2017 to approximately 25.7% for FY2018, which was mainly due to the increase in our total assets of approximately 17.4% as at 31 March 2018.

Our return on total assets increased to approximately 35.6% for FY2019, which was mainly attributable to the significant increase in the net profit for FY2019 of approximately 54.4% as compared to the net profit for FY2018.

Our return on total assets subsequently decreased to approximately 11.2% for FY2020 as a result of the combined effect of the decrease in our net profit for the year of approximately 41.1% and the increase in total assets of approximately 87.5%.

Interest coverage ratio

Interest coverage ratio was not applicable for our Group for FY2017, FY2018 and FY2019 as we did not incur any interest on interest-bearing borrowings. For FY2020, we incurred interest expense of approximately HK\$111,000 on the interest-bearing borrowings of approximately HK\$15.1 million as at 31 March 2020. As such, we recorded an interest coverage ratio of approximately 441.8 times for FY2020.

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Current ratio

Our current ratio was approximately 2.0 times, 2.3 times and 3.1 times as at 31 March 2017, 31 March 2018 and 31 March 2019, respectively, which was in line with the increase in our contract assets as at 31 March 2017, 31 March 2018 and 31 March 2019, respectively.

Our current ratio decreased to approximately 1.9 times as at 31 March 2020, which was mainly due to the increases in our trade and other payables, interest-bearing borrowing, and income tax payable as at 31 March 2020.

Quick ratio

Our quick ratio was approximately 2.0 times, 2.3 times, 3.1 times and 1.9 times as at 31 March 2017, 31 March 2018, 31 March 2019, and 31 March 2020, respectively. Since we did not have any inventory, quick ratio of our Group was the same as current ratio.

Gearing ratio

Our gearing ratio decreased from approximately 25.0% as at 31 March 2017 to approximately 8.4% as at 31 March 2018, which was mainly due to (i) the decrease in the amounts due to a related company and Mr. Leung, in aggregate from HK\$18.1 million as at 31 March 2017 to approximately HK\$8.2 million as at 31 March 2018; and (ii) the significant increase in our total equity of approximately 34.1% as at 31 March 2018 as compared to 31 March 2017.

Our gearing ratio further decreased to approximately 0.6% as at 31 March 2019, which was due to (i) the further decrease in the amount due to Mr. Leung of approximately HK\$8.2 million as at 31 March 2018 to approximately HK\$0.7 million as at 31 March 2019; and (ii) the significant increase in our total equity of approximately 29.3% as at 31 March 2019 as compared to 31 March 2018.

Our gearing ratio increased to approximately 9.3% as at 31 March 2020, which was mainly due to the increase in interest-bearing borrowings of approximately HK\$15.1 million as at 31 March 2020.

Debt to equity ratio

No debt to equity ratio was calculated as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020 because our Group was in net cash position.

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LISTING EXPENSES

Our Directors expect that our total Listing expenses, which are non-recurring in nature, will amount to approximately HK\$60.0 million, representing approximately 38.0% of the gross proceeds from Share Offer (assuming the Offer Price of HK\$0.395 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus). Out of the amount of approximately HK\$60.0 million, (i) approximately HK\$35.2 million is directly attributable to the issue of the Offer Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$2.1 million and HK\$18.1 million were recognised in our combined statements of profit or loss and other comprehensive income for FY2019 and FY2020, respectively; and (iii) approximately HK\$4.6 million will be further recognised in our combined statements of profit or loss and other comprehensive income for FY2021 upon the Listing of our Company.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in Note 26 to the Accountants' Report set out in Appendix I to this prospectus. Our Directors confirmed that these related party transactions were conducted on arm's length negotiations, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our future performance.

CAPITAL EXPENDITURES AND COMMITMENTS

Our Group's capital expenditure has principally consisted of expenditures on right-of-use assets, metal scaffold equipment and related parts, motor vehicles, furniture and fixtures, decoration and computer equipment. During FY2017, FY2018 FY2019 and FY2020, our Group incurred capital expenditures of approximately HK\$5.5 million, HK\$11.4 million, HK\$1.6 million and HK\$2.0 million, respectively, the majority of which related to the acquisition from right-of-use assets and metal scaffold equipment and related parts.

After 31 March 2020 and up to the Latest Practicable Date, we did not make any material capital expenditures. Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Our Group expects to make no further capital expenditures for FY2020 and approximately HK\$26.3 million for FY2021. See "Future plans and use of proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditure principally through the net proceeds we receive from the Share Offer and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

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DIVIDENDS

For FY2017, FY2018, FY2019 and FY2020, dividends of HK\$14.0 million, HK\$17.0 million, HK\$36.0 million and nil, respectively, were declared and paid to our then shareholders by our internal resources.

Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, business plans, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Our Company does not have any predetermined dividend payout ratio.

Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars. 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.

After the Listing, declaration of dividends will be subject to recommendation of our Board after considering the factors described above.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 31 May 2019 and did not have any reserve available for distribution to our Shareholders as at 31 March 2020.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

In addition, our Group has not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Further, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL INSTRUMENT

During the Track Record Period, we did not enter into any other financial instruments for hedging purposes.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The major financial risks arising from our Group's normal course of business include, credit risk and liquidity risk. For details, please refer to Note 28 – "Accountants' Report – Financial risk management objectives and policies" to the Appendix I of this prospectus.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our Group's internal resources, available banking facilities and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the paragraph headed "A. Unaudited pro forma statement of adjusted combined net tangible assets" set out in Appendix II to this prospectus for details.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, our Group generated approximately HK\$140.7 million in revenue for the four months ended 31 July 2020, representing an increase of approximately HK\$49.8 million or 54.8% as compared to the same period in 2019. This was mainly attributable to the increase in revenue recognised from Project TMB-87, Project TMB-90 and Project TMB-100, in aggregate of approximately HK\$48.5 million. We recorded relatively less revenue for the four months ended 31 July 2019 as we generated less revenue from a number of private sector projects during this period, in particular Project TMB-67 and Project TMB-69, which contributed a significant portion of revenue to our Group in FY2019. We also recorded an increase in our gross profit by approximately HK\$5.5 million to approximately

FINANCIAL INFORMATION

HK\$20.6 million for the four months ended 31 July 2020 as compared to the same period in 2019. The said revenue and gross profit amounts are extracted from the unaudited management accounts of our Group and have been reviewed by our Company's Reporting Accountants, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Notwithstanding our Group recorded a relatively less revenue for the four months ended 31 July 2019 due to project cycle, as compared with a significant increase in our revenue of approximately 54.8% for the four months ended 31 July 2020, our Directors forecast that our Group will achieve a flat growth in full year revenue for FY2021 as compared to the full year revenue for FY2020 having considered the progress of the on-going projects.

Our Directors expect that the forecasted net profit for FY2021 (excluding Listing expenses) will decrease as compared to that for FY2020 (excluding Listing expenses). Our Group expects an increase in estimated administrative and other operating expenses resulting from (i) an increase in staff costs due to more personnel to be recruited for supporting our Group's business expansion and daily operation after the Listing; and (ii) an increase in salary and remuneration to our Directors and staff.

Taking into account (i) the relatively stable CAGR from 2020 to 2023 of approximately 1.5% for the gross output value of formwork works industry in Hong Kong and (ii) the estimated revenue recognised from ongoing projects in our backlog and relatively high chance tenders submitted, the revenue for FY2021 is expected to remain stable as compared to that of FY2020. Our Directors estimate that the aggregate outstanding contract value was approximately HK\$726.0 million as at the Latest Practicable Date, among which, approximately HK\$227.3 million and HK\$498.7 million are expected to be recognised during FY2021 and the period after FY2021, respectively. Our Directors consider that our Group is well-positioned to take on more projects and believe 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 confirm that (i) we have continued the formwork works for all our on-going projects since the outbreak of COVID-19 and been able to fulfil our obligations under all existing contracts; and (ii) we have not been notified by our customers that any of our on-going projects would be suspended or cancelled due to the outbreak of COVID-19 in Hong Kong. However, as a result of work-from-home arrangement during the outbreak of COVID-19, issuance of interim payment certificates by customers and settlement of trade receivables might take a longer time. In view of the business relationships with and reputation of our customers, our Directors believe that it is unlikely that our customers would default in payment. In addition, as confirmed with our major suppliers, there is no material adverse impact on the supply of construction materials due to the outbreak of COVID-19, including but not limited to, unit price, material availability and delivery schedule. As at the Latest Practicable Date, we did

FINANCIAL INFORMATION

not record any employees/workers failing to report duty due to the infection of COVID-19. Therefore, our Directors are of the view that our business operation has not experienced material adverse impact as a result of the outbreak of COVID-19. Our Directors will closely monitor the market conditions and review our Group's business performance and strategies in light of the potential adverse impact brought by the outbreak of COVID-19.

MATERIAL ADVERSE CHANGE

Our Directors expect that the forecasted net profit for FY2021 (excluding Listing expenses) will decrease as compared to that for FY2020 (excluding Listing expenses). Save for (i) the potential decrease in financial performance for FY2021 due to an increase in estimated administrative and other operating expenses; and (ii) the total expenses for the Listing estimated to be approximately HK\$60.0 million, of which approximately HK\$4.6 million will be recorded in our Group's profit and loss for FY2021, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2020 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 March 2020 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES AND FUTURE PLANS

Our principal business objective is to further strengthen our market position, increase our market share and capture the growth in the formwork works industry. For details of our business strategies and future plans, please refer to the section headed “Business – Business strategies” in this prospectus.

REASONS FOR THE LISTING

Our Directors believe that the Listing of the Shares on the Main Board will facilitate the implementation of our business strategies. As stated in the section headed “Business – Business strategies” in this prospectus, we intend to achieve our business objectives to strengthen our position in the formwork works industry. As such, we intend to (i) further expand our financial position for the purpose of securing additional and large-scale formwork works projects and expanding our capability to offer system formwork works services; (ii) increase our stock of metal scaffold equipment and related parts; and (iii) further strengthen our manpower to cope with our business development.

Our Directors consider that the Listing is beneficial to our Group for the following reasons:

- **Raise funding to satisfy a genuine need for funding in order to support the expansion of our business**

Our principal sources of funds have historically been cash generated from our operations. Our Directors consider that while we maintain a high level of cashflow to support our Group’s existing operations, the net proceeds from the Share Offer are necessary for the implementation of our future plans which require considerable additional financial resources. Without the availability of proceeds from the Share Offer, we would continue to finance the awarded projects mainly by cash generated from operations. In pace with our business growth, we believe the requirements of our cash flow will become stricter and our expansion plans are not feasible to be financed solely from our internal resources. Also, there is no assurance that we could receive project payments from our customers before we are required to settle our suppliers’ invoices and other current liabilities, which may result in cash flow mismatch. In light of the uncertainty as to when project receivables can be collected, we may be required to modify our expansion plans from time to time. As a result, we would have less control over the timing of implementing our business strategies, and may fail to fully capture the forecasted increase in demand for large-scale projects.

FUTURE PLANS AND USE OF PROCEEDS

For FY2017, FY2018, FY2019 and FY2020, our trade receivables turnover days (including contract assets) were approximately 74.6 days, 87.0 days, 89.2 days and 173.1 days, respectively, while our trade payables turnover days were approximately 6.0 days, 5.8 days, 5.4 days and 41.6 days, respectively. In addition, for the first payments to be received from our customers, our trade receivables would only be recognised once our customers once our customers certified our payment applications, which was normally two to three months after the commencement of our on-site works. The actual time gap between our payments to suppliers and direct labour and the receipts of payments from customers in the beginning of a project would be longer than the difference between our trade receivables turnover days and trade payables turnover days. Moreover, as at 31 March 2020, we had bank balances and cash of approximately HK\$43.9 million. Based on the current scale of our operations and the costs incurred by us for FY2020, our Directors estimate that currently we have to incur an average monthly expense of approximately HK\$30.6 million, primarily comprising direct labour costs, construction material costs, subcontracting charges, metal scaffold equipment rental costs, other administrative expenses and finance costs for our daily operations. There is no assurance that we will receive payments from our customers before we are required to settle our suppliers' invoices and other current liabilities, which may result in possible cash flow mismatch. Therefore, our Directors consider that, in order to meet our operational needs, we shall maintain a minimum cash balance equivalent to one month of our average monthly operational costs (i.e. approximately HK\$30.6 million), as we sought to achieve for FY2020.

In addition, our financial standing is one of the major considerations for our customers during the tender assessment process. To commence a new project, we are generally required to incur significant upfront costs and expenses, such as salary of direct labour, cost of construction materials, subcontracting charges and other site 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. Also, having considered that (i) three potential projects (namely Tender T1386, Tender T1783 and Tender T1615) which our Directors consider that we have relatively higher chances to be awarded and three confirmed projects (namely Project TMB-101, Project TMB-104 and Project TMB-107), of which additional financial resources and manpower are required to be in place at the relevant period and we expect to utilise our net proceeds to satisfy the potential upfront cost and/or cost for acquiring aluminium formwork of those projects; and (ii) the acquisition cost for aluminium formwork in system formwork to be adopted in our future projects and the increase of stock of our metal scaffold equipment and related parts are significant, our Directors believe that there are immediate needs to execute these objectives together in a coordinated and timely manner. Therefore, our Directors consider that by using equity financing to raise the additional fund for the implementation of our business strategies is more appropriate because it is not necessary to retain a portion of the raised fund to prepare for repayment and the fund can be fully utilised for our business expansion.

FUTURE PLANS AND USE OF PROCEEDS

- **Facilitate the implementation of our strategies in respect of adopting system formwork**

According to the Ipsos Report, system formwork has a high initial set up cost but a relatively long life-span. Aluminium formwork used in system formwork are relatively costly but can generally be reused by over 20 times in a construction project. In recent years, system formwork is becoming more commonly used given that it requires less skilled labour force and provides better finishing to concrete. As the wages of construction workers growing rapidly over the past years and the construction industry often facing the problem of labour shortage, the engagement of system formwork can let formwork works contractors to reduce labour costs and expand the business opportunities.

Our Directors believe that in order to achieve sustainable growth and to remain ahead of the trends in the formwork works industry, we will be required to put in greater efforts in securing more projects that are of a larger scale or engage the use of system formwork, so that we can accumulate more experience and skills in this respect. To secure these projects, we intend to proactively maintain our relationships with the major main contractors in Hong Kong by submitting more tenders involving system formwork, and to recruit new staff and/or provide training to existing staff in relation to system formwork and in order to sharpen their skills thereof.

- **Benefits of equity financing over debt financing**

Our Director have taken into account that (i) we obtained a credit facility of approximately HK\$10.0 million with the interest rate of Hong Kong interbank offered rate plus 3.0% in November 2019 and a credit facility of approximately HK\$11.8 million with the interest rate of Hong Kong interbank offered rate plus 1.5% in February 2020. For obtaining such bank facility, Mr. Leung, Mr. Cheung Kit Hung, our executive Director, and Mr. Chung Chun Piu, our project manager, were required to provide personal guarantees; (ii) equity fund-raising would be more sensible and preferable as an efficient and sustainable fund-raising platform which could enable us to gain direct access to the equity capital market to raise funds for our future expansion and business development when needed, while the requirement of our Controlling Shareholders to provide personal guarantees in order to obtain additional banking facilities may only satisfy our short term funding needs and may be affected by their other personal financial needs from time to time; (iii) the proceeds drawn from the banking facilities are subject to repayment obligations for the principal amount and associated interest expenses. In the event that we are unable to generate sufficient cash inflow from our operating activities during the repayment period, we may encounter risk of default which would entitle the bank to demand immediate repayment of all the outstanding loan amount and other enforcement actions against us (e.g. seizure of bank accounts and other available assets); and (iv) as at

FUTURE PLANS AND USE OF PROCEEDS

31 March 2020, the carrying amount of our property, plant and equipment was approximately HK\$7.2 million. Therefore, our Group does not have sufficient assets for fulfilling the loan security requirements of banking borrowing. While our Group may use our trade and other receivables as securities for obtaining other form of financing from bank, the financing option available are generally short-terms loans which would not be feasible to support our business expansion.

Our Directors came to the conclusion that it is in the interests of our Group and our Shareholders as a whole to proceed with equity financing in the form of Listing than through bank borrowings. Should we be able to raise additional capital through equity financing, we will have larger sum of cash available to satisfy the requirements for bearing the upfront costs and expenses for additional and large-scale projects and be eligible to tender for large-scale projects, while at the same time without having to impose significant pressure on our cash flow status.

- **Increase our competitiveness in the industry**

According to the Ipsos Report, the formwork works industry in Hong Kong is relatively fragmented. As of September 2020, according to the Construction Industry Council, there were 864 contractors on the list of registered contractors under “Concreting Formworks” category and some of them are listed on the Stock Exchange.

Besides, our Directors believe that a public listing status will enhance our competitiveness in the market since some customers and suppliers may prefer to work with contractors with more transparent financial disclosure and regulatory supervision. In particular, given that our major customers during the Track Record Period include sizeable corporations, our Directors consider that the Listing in an international capital market, such as the Stock Exchange, will boost their confidence in our Group’s financial position, credibility, corporate governance and internal control and thus may further enhance our business relationship with them. In addition, as illustrated above, the public listing status will also provide us additional working capital to implement our future plans which will further strengthen our market position in the formwork works industry in Hong Kong. As a result, our Directors consider that we can maintain our competitiveness among the industry peers and differentiate ourselves from other competitors which are private companies in order to enhance our opportunity in securing large-scale projects.

FUTURE PLANS AND USE OF PROCEEDS

- **Enhance work morale and facilitating the recruitment and retention of talent**

A public listing status will also facilitate us in retaining and attracting talents to join our Group. In particular, we intend to hire more skilled and experienced staff for project management who are critical for performing our duties for large-scale projects. Access to a larger pool of talents will improve our service quality and facilitate our recruitment of additional manpower under our expansion plans. Furthermore, the status of being a listed company will 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 listed company in Hong Kong.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.395, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Share Offer and the Over-allotment Option is not exercised, our Group estimates that the aggregate net proceeds to our Company from the Share Offer will be approximately HK\$98.0 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$59.6 million, representing approximately 60.8% of the net proceeds from the Share Offer, will be used for (i) the payment of certain upfront costs and expenses, such as deposits for construction materials, rental costs of metal scaffold equipment, transportation and subcontracting charges; and (ii) the acquisition cost for aluminium formwork to be used in system formwork, for our future projects we are tendering for. For details of such projects, please refer to the section headed “Business – Business strategies – Further strengthening our market position, increasing our market share and capturing the growth in the formwork works industry – (i) Further enhancing our financial position for the purpose of securing additional and large-scale formwork works projects and expanding our capability to offer system formwork works services” in this prospectus.
- approximately HK\$21.2 million, representing approximately 21.6% of the net proceeds from the Share Offer, will be used for increasing our stock of metal scaffold equipment and related parts;
- approximately HK\$8.8 million, representing approximately 9.0% of the net proceeds from the Share Offer, will be used for further strengthening our manpower; and
- approximately HK\$8.4 million or approximately 8.6% of the net proceeds will be used as general working capital of our Group.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is set at the high- or low-end of the indicative Offer Price range, being HK\$0.35 and HK\$0.44 per Offer Share, respectively (assuming the Over-allotment is not exercised), the net proceeds from the Share Offer will decrease or increase by approximately HK\$14.8 million, respectively, and our Directors intend to adjust the above allocation of the net proceeds on a pro-rata basis. To the extent our net proceeds are either more or less than expected, we will adjust the allocation of the proceeds for the above purposes on a pro rata basis.

Should there be any material change in the intended use of the net proceeds from the Share Offer as described above, our Group will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Share Offer are not immediately applied for the above purposes, our Directors will place such net proceeds on short-term interest-bearing deposits with licensed banks in Hong Kong.

IMPLEMENTATION PLANS

The following table sets forth a breakdown of how the net proceeds to be received by us from the Share Offer are intended to be applied and the timing of application:

	From the Latest Practicable Date to 31 March 2021 <i>(Approximately HK\$ million)</i>	From 1 April 2021 to 31 March 2022 <i>(Approximately HK\$ million)</i>	Total <i>(Approximately HK\$ million)</i>	%
Enhancing our financial position for the purpose of securing additional and large-scale formwork works projects and expanding our capability to offer system formwork work services	37.4	22.2	59.6	60.8
Increasing our stock of falsework equipment	21.2	–	21.2	21.6
Strengthening our manpower to cope with our business development	3.1	5.7	8.8	9.0
General working capital	8.4	–	8.4	8.6
Total	70.1	27.9	98.0	100.0

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the above implementation plans:

- (i) the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” in this prospectus;
- (ii) our Group will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period, and we will be able to carry out the implementation plans without adversely affecting our operations;
- (iii) our Group will not be materially affected by any risk factors set out in the section headed “Risk factors” in this prospectus;
- (iv) our Group is able to retain our customers and suppliers;
- (v) our Group will be able to retain key staff; and
- (vi) there will be no material changes in the existing political, legal, fiscal or economic conditions, and in the bases or rates of taxation in Hong Kong and PRC, and any other place in which any member of our Group carries on or will carry on its business.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Alliance Capital Partners Limited

Celestial Securities Limited

I Win Securities Limited

Lee Go Securities Limited

Blackwell Global Securities Limited

Conrad Investment Services Limited

Grand Partners Securities Limited

PLACING UNDERWRITERS

Alliance Capital Partners Limited

Celestial Securities Limited

I Win Securities Limited

Lee Go Securities Limited

Blackwell Global Securities Limited

Conrad Investment Services Limited

Grand Partners Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of 40,000,000 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. The Public Offer Underwriters have agreed, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

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The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Sponsor and the Joint Bookrunners (for themselves and on behalf of all 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 Sponsor and Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement by written notice to our Company if any of the following events occur at any time or before 8:00 a.m. (Hong Kong time) on the Listing Date:

- (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 financial or trading position 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 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, BVI, Cayman Islands 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 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

UNDERWRITING

- (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 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
- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange 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, 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, flooding, explosion, epidemic (including but not limited to the severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, 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 dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar 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) any contravention by any member of our Group of the Listing Rules or applicable laws; or

UNDERWRITING

- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (q) an order 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
- (r) any loss or damage sustained by any member of our Group; or
- (s) save as disclosed in the section headed “Business – Litigation and claims” 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
- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or
- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (w) 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; or
- (x) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (y) any adverse change (whether or not permanent) in local, national or international stock market conditions,

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which in the sole and absolute opinion of the Joint Bookrunners (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 prospect of our Group taken as a whole; or
 - (b) has or will or may have a material adverse effect on the success of 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, Placing Underwriting Agreement and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) the Joint Bookrunners or 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 Bookrunners, 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, the Application Forms, the formal notice or any announcement or advertisement issued by or on behalf of our Company in connection with the Public 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 such document was to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in such document are not, in all material aspects, 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 Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or

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- (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been discovered in this prospectus, constitute a material omission therefrom; or
- (e) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospect, profits, losses or financial or trading position or performance of any member of our Group; or
- (f) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued (including any additional Offer Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (g) we withdraw this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

Undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has irrevocably and unconditionally undertaken to each of the Public Offer Underwriters, and each of our Controlling Shareholders and executive Directors has undertaken to and covenants with the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that he/it will procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of our affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the first

UNDERWRITING

six-month period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);

- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that our Controlling Shareholders, directly or indirectly, would cease to be a group of controlling shareholders of our Company (within the meaning defined in the Listing Rules); and

- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

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Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and our Company that, except pursuant to the Share Offer and unless in compliance with the Listing Rules, he or it shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his or its close associates (as defined in the Listing Rules) or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six-month Period:

- (a) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in our Controlling Shareholders ceasing to be a group of controlling shareholders (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

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Without prejudice to our Controlling Shareholders' undertaking above, each of our Controlling Shareholders undertakes to the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriter and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer or unless in compliance with the requirements of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, 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 Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (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 of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of: (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and (b) when it or he or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

The Placing

In connection with the Placing, our Company, our Controlling Shareholders and executive Directors have entered into the Placing Underwriting Agreement with the Sponsor, the Joint Bookrunners, the Joint Lead Managers, 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 and (if applicable) the Hard Underwriting Agreement, the Placing Underwriters agree to procure subscribers for or purchasers of, or failing which they shall subscribe for or purchase the Placing Shares under the Placing severally (and not jointly nor jointly and severally). 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. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our

UNDERWRITING

Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above in this section.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option. The Joint Bookrunners or its agent, on behalf of the Placing Underwriters, can exercise the Over-allotment Option to require our Company to allot and issue up to an aggregate of 60,000,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Placing Share, solely to cover over allocations, if any, in the Placing.

The Over-allotment Option may be exercised by the Joint Bookrunners at any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer. The purpose of the exercise of the Over-allotment Option is to settle any over-allocations in the Placing, if any. For further details of the Over-allotment Option, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

Commissions and expenses

Among the Underwriters, (i) an underwriting commission of 12.0% shall be payable to the Underwriters pursuant to the Underwriting Agreements; and (ii) IWSL shall be further entitled to a hard underwriting commission of 6.0% of the aggregate Offer Price payable for the Offer Shares initially offered under the Share Offer pursuant to the Hard Underwriting Agreement, as specified in the sub-section headed “Hard Underwriting Agreement” in this section. Save for the aggregate underwriting commission of 18.0% of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions, no incentive fee shall be payable to the Underwriters by our Company.

Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, the legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$60.0 million in aggregate (based on an Offer Price of HK\$0.395 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.35 per Offer Share and HK\$0.44 per Offer Share and assuming that the Over-allotment Option is not exercised) and are payable by our Company with reference to the number of Shares under the Share Offer.

Hard Underwriting Agreement

On 14 September 2020, our Company entered into the Hard Underwriting Agreement. IWSL irrevocably agrees that it will perform its underwriting commitment on a fully underwritten basis under the Hard Underwriting Agreement in the aggregate amount of HK\$140.0 million (the “**Underwriting Commitment**”) pursuant to the Public Offer Underwriting Agreement and the Placing Underwriting Agreement.

UNDERWRITING

The underwriting commitment of IWSL under the Hard Underwriting Agreement is conditional upon (i) IWSL being appointed by our Company as one of the Joint Bookrunners for the Share Offer; (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares (and such listing and permission not subsequently revoked prior to Listing); (iii) the Underwriting Agreements have become unconditional and have not been terminated in accordance with their respective terms; and (iv) the final Offer Price shall be fixed at HK\$0.35 per Offer Share.

If the conditions (i) and (ii) above are not fulfilled or satisfied by 8:00 a.m. on the Listing Date, the obligations of IWSL under the Hard Underwriting Agreement shall lapse and be null and void and neither our Company nor the Directors shall have any claim against the relevant Underwriter for costs, damages, compensation or otherwise save for such claims that are caused by the Underwriter's own fraud, gross negligence, willful default or misconduct and the Hard Underwriting Agreement shall terminate.

In addition to the underwriting commission specified in the Public Offer Underwriting Agreement and Placing Underwriting Agreement, upon the fulfillment of the Underwriting Commitment by IWSL according to the Hard Underwriting Agreement (if necessary) unless otherwise being waived by our Company, our Company shall pay to IWSL upon Listing, a hard underwriting commission at the rate of 6%. For the avoidance of doubt, IWSL shall be entitled with such hard underwriting commission of 6% when the other Underwriters fully fulfill their commitment in the Underwriting Agreements and no Underwriting Commitment is needed.

SPONSOR AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sponsor will receive a sponsorship fee to the Share Offer. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" above in this section.

We have appointed Alliance Capital Partners 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 we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sponsor, the Joint Bookrunners, the Joint Lead Managers or the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or 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 any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

UNDERWRITING

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Bookrunners will ensure that there will be a minimum 25% of the total number of issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- (a) the Public Offer of 40,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the paragraph headed “The Public Offer” below; and
- (b) the Placing of 360,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) which will conditionally be placed with selected professional, institutional and other investors under the Placing.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to reallocation as described in the section headed “The Public Offer – Reallocation” below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 40,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Capitalisation Issue and Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional 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.

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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares available under the Public Offer (after taking into account any reallocation as referred to below) is to be divided equally into two pools for allocation purposes: 20,000,000 Offer Shares for each of pool A and 20,000,000 Offer Shares for pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. 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 Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in 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 of Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer within either pool or between pools and any application for more than 20,000,000 Public Offer Shares, being 50% of the 40,000,000 Public Offer shares initially available under the Public Offer are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 120,000,000 Offer Shares (in the case of (i)), 160,000,000 Offer Shares (in the case of (ii)) and 200,000,000 Offer Shares (in the case of (iii)), representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, respectively.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced.

In the event that the Placing Shares are undersubscribed under the Placing and if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters. Where the Placing Shares are undersubscribed and the Public Offer Shares are oversubscribed irrespective of the number of times the number of Shares initially available for subscription under the Public Offer, then up to 40,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Shares available for subscription under the Public Offer will be increased to 80,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. 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, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 80,000,000 Offer Shares).

If the Public Offer is not fully subscribed, the Joint Bookrunners has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing in such proportions as the Joint Bookrunners deems appropriate.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making 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, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.44 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,555.48 for one board lot of 8,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" in this section below, is less than the maximum Offer Price of HK\$0.44 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of the Offer Shares offered

Subject to reallocation as described above, the Placing will consist of 360,000,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Share Offer, assuming the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option).

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriter or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional, institutional and other investors who 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. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Joint Bookrunners (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed "The Public Offer – Reallocation" in this section above, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OVER-ALLOTMENT OPTION

In connection with the Share Offer, we are expected to grant the Over-allotment Option to the Placing Underwriter, exercisable by the Joint Bookrunners on behalf of the Placing Underwriter.

Pursuant to the Over-allotment Option, the Placing Underwriter will have the right, exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriter) at any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer to require our Company to allot and issue, at the Offer Price, up to an aggregate of 60,000,000 additional Shares, representing 15% of the number of Offer Shares initially being offered under the Share Offer, on the same terms and conditions as those applicable to the Share Offer, to cover over-allocations in the Placing and/or the obligations of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement (as defined below). We will make an announcement if the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, the additional Offer Shares allotted and issued will represent approximately 3.6% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer and the exercise of the Over-allotment Option.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Share Offer, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 60,000,000 Shares (being the maximum number of Shares which may be allotted and issued by our Company upon exercise of the Over-allotment Option) from Sky Mission pursuant to a stock borrowing arrangement (the “**Stock Borrowing Agreement**”), or acquire Shares from other sources, including the exercise of the Overallotment Option.

If such stock borrowing arrangement with Sky Mission is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation 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 out in Rule 10.07(3) of the Listing Rules are complied with.

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 new securities in the secondary market during a specified period of time to retard and, possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or its agent to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued under the Over-allotment Option, namely 60,000,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilising actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules include: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our 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 our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Specifically, prospective applicants for and investors in our Shares should note that:

- (a) the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- (b) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a long position;
- (c) liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;
- (d) no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Sunday, 18 October 2020, being the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- (e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- (f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Share Offer, the Stabilising Manager may over-allocate up to and not more than an aggregate of 60,000,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Joint Bookrunners, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Stabilising Manager may borrow up to 60,000,000 Shares from Sky Mission, equivalent to the maximum number of Shares to be allotted and issued by our Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The same number of Shares so borrowed must be returned to Sky Mission or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full as such earlier time as may be agreed in writing between Sky Mission and the Stabilising Manager. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulation requirements.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

No payments or other benefit will be made to Sky Mission by the Stabilising Manager in relation to the stock borrowing arrangement.

PRICING AND ALLOCATION

Determining the Offer Price

The Joint Bookrunners will solicit from prospective investors the indications of interest in acquiring the Offer 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 around, the last day for lodging applications under the Share Offer. Pricing for the Offer Shares for the purpose of the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Friday, 18 September 2020, and in any event on or before Monday, 21 September 2020, by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the Share Offer will be determined shortly thereafter.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.skymission.group a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will be not more than HK\$0.44 per Offer Share and is expected to be not less than HK\$0.35 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Share Offer. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK\$0.44 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,555.48 for one board lot of 8,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer must pay, on application, the maximum Offer Price of HK\$0.44 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,555.48 per board lot of 8,000 Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.44 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 21 September 2020, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

Reduction of the Number of Offer Shares and/or the Indicative Offer Price Range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Placing, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer.

- (a) a notice of the change on the website of the Stock Exchange at **www.hkexnews.hk** and our Company’s website at **www.skymission.group**. The notice will include a confirmation or revision, as appropriate, of the working capital statement and the Public Offering statistics and any other financial information in this prospectus which may change as a result of any such change; and
- (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change.

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, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Share Offer statistics as currently set out in this

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

prospectus and any other financial information which may change as a result of such reduction. In the absence of any such notice published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) 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.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with 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 are expected to be published on Monday, 28 September 2020 on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.skymission.group.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around Price Determination Date. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, 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) and in any event not later than 30 days after the date of this prospectus:

1. Listing

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 the Shares which may be allotted and issued upon the exercise of the Over-allotment Option and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Placing Underwriting Agreement

The execution and delivery of the Placing Underwriting Agreement on or about Price Determination Date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

3. Obligations under Underwriting Agreements

The obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

4. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before 6:00 p.m. on Monday, 21 September 2020, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.skymission.group on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Monday, 28 September 2020 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 29 September 2020 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies 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 on the Stock Exchange or any other date HKSCC chooses. 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.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 29 September 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 29 September 2020. The Shares will be traded in board lots of 8,000 Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic form prospectus which can be accessed and downloaded from the websites of the Company at **www.skymission.group** and the Stock Exchange at **www.hkexnews.hk** under the “*HKEXnews > Listed Company Information > Latest Listed Company Information*” section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Tuesday, 15 September 2020 until 12:00 noon on Friday, 18 September 2020 at the following locations:

1. any of the following branches of the receiving bank for the Public Offer:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Central District (Wing On House) Branch	B/F-2/F, Wing On House 71 Des Voeux Road Central Hong Kong
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza 23-29 Jordan Road Kowloon
New Territories	Tuen Mun Town Plaza Branch	Shop 2 Tuen Mun Town Plaza phase II Tuen Mun New Territories

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

2. any of the following offices of the Joint Bookrunners:

Alliance Capital Partners Limited	Room 1502–1503A, Wing On House 71 Des Voeux Road Central, Central, Hong Kong
Celestial Securities Limited	22/F Manhattan Place, 23 Wang Tai Road Kowloon Bay, Kowloon, Hong Kong
I Win Securities Limited	Room 1916, Hong Kong Plaza 188 Connaught Road West, Sai Wan, Hong Kong
Lee Go Securities Limited	Unit 02, 12/F West Exchange Tower 322 Des Voeux Road Central, Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Details of where printed prospectuses may be obtained will be displayed prominently at every designated branch of Bank of China (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Tuesday, 15 September 2020, until 12:00 noon on Friday, 18 September 2020, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

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;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk or 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); 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Our Company, the Sponsor, the Joint Bookrunners, 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;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply for the Public Offer Shares 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, the Joint Bookrunners may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

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 its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- a associate of any of the above; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

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.

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 Tuesday, 15 September 2020 to 12:00 noon on Friday, 18 September 2020 from:

- (i) the following addresses of the Joint Bookrunners:

Alliance Capital Partners Limited	Room 1502–1503A, Wing On House 71 Des Voeux Road Central, Central, Hong Kong
Celestial Securities Limited	22/F Manhattan Place, 23 Wang Tai Road Kowloon Bay, Kowloon, Hong Kong
I Win Securities Limited	Room 1916, Hong Kong Plaza 188 Connaught Road West, Sai Wan, Hong Kong
Lee Go Securities Limited	Unit 02, 12/F West Exchange Tower 322 Des Voeux Road Central, Hong Kong

HOW TO APPLY FOR THE 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	Central District (Wing On House) Branch	B/F–2/F, Wing On House 71 Des Voeux Road Central Hong Kong
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza 23–29 Jordan Road 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 Tuesday, 15 September 2020 until 12:00 noon on Friday, 18 September 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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 – SKYMISSION GROUP PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 15 September 2020 – 9:00 a.m. to 4:00 p.m.
- Wednesday, 16 September 2020 – 9:00 a.m. to 4:00 p.m.
- Thursday, 17 September 2020 – 9:00 a.m. to 4:00 p.m.
- Friday, 18 September 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 18 September 2020, the last application day or such later time as described in "10. Effect of bad weather and/or extreme conditions on the opening of the applications lists" in this section.

HOW TO APPLY FOR THE 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 submitting an Application Form or applying through the **HK eIPO White Form Service**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (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 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 in the **IPO App** and on the designated website under the **HK eIPO White Form** service 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 Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and 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 Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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, the Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers 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 and in the **IPO App** and on the designated website under the **HK eIPO White Form** service;
- (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 have chosen 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;
- (xvii) understand that our Company and the Joint Bookrunners 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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** 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 see the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, 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 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.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 15 September 2020 until 11:30 a.m. on Friday, 18 September 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 18 September 2020 or such later time under the paragraph headed “10. Effect of bad weather and/or extreme conditions on the opening of the applications lists” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, 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.

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).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

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 (<https://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 Center
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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 the Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

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;
- (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;
 - 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 Offer Shares under 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you understand that our Company, the Directors and the Joint Bookrunners 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 agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and 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 your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents;
- 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(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;
- 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 itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

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 the 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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.

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 8,000 Public Offer Shares. Instructions for more than 8,000 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.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 15 September 2020 – 9:00 a.m. to 8:30 p.m.
- Wednesday, 16 September 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, 17 September 2020 – 8:00 a.m. to 8:30 p.m.
- Friday, 18 September 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 Tuesday, 15 September 2020 until 12:00 noon on Friday, 18 September 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 Friday, 18 September 2020, the last application day or such later time as described in “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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.

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).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Sponsor, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents 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 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.

HOW TO APPLY FOR THE 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, Friday, 18 September 2020.

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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 the numbers of Public Offer Shares that may be applied for.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

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 8,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 8,000 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 the SFC transaction levy and the 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 Share Offer – Pricing and allocation” 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; or
- extreme conditions announced by the Government; and/or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 18 September 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the application lists do not open and close on Friday, 18 September 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or extreme conditions 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 indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 28 September 2020 on our Company’s website at **www.skymission.group** and the website of the Stock Exchange at **www.hkexnews.hk**.

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 dates and times and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.skymission.group** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m., Monday, 28 September 2020;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a “search by ID” function or the “Allotment Result” function in the **IPO App** on a 24-hour basis from 8:00 a.m. on Monday, 28 September 2020 to 12:00 midnight on Tuesday, 6 October 2020;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 28 September 2020 to Monday, 5 October 2020 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 28 September 2020 to Wednesday, 30 September 2020 at all the receiving bank 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 contained 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC 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.

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 Provisions) Ordinance (as applied by section 342E 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.

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 Joint Bookrunners, 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee 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.

(i) 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;
- 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 or the Joint Bookrunners believes 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 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR THE 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\$0.44 per Offer Share (excluding brokerage, SFC transaction levy and the 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 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 the 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 Monday, 28 September 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 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
- 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 the 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).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 or around Monday, 28 September 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., Tuesday, 29 September 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.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) 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 Monday, 28 September 2020 or such other date as notified by us on the website of our Company at **www.skymission.group** or on the website of the Stock Exchange at **www.hkexnews.hk**.

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 the Hong Kong Branch Share Registrar.

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 Monday, 28 September 2020, by ordinary post and at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(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 Monday, 28 September 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 Monday, 28 September 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *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.

- *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 "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 September 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.

(iii) 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 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 Monday, 28 September 2020, or such other date as notified by our Company on the website of our Company at **www.skymission.group** or on the website of the Stock Exchange at **www.hkexnews.hk** as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Monday, 28 September 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.

(iv) 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 Monday, 28 September 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- 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 "11. Publication of results" above on Monday, 28 September 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 September 2020 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 Monday, 28 September 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 and 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 the 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 Monday, 28 September 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, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.



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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SKYMISSION GROUP HOLDINGS LIMITED

The Directors
Skymission Group Holdings Limited
Alliance Capital Partners Limited

Introduction

We report on the historical financial information of Skymission Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-4 to I-55, which comprises the combined statements of financial position of the Group as at 31 March 2017, 2018, 2019 and 2020, the statement of financial position of the Company as at 31 March 2020 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 March 2017, 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-55 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 15 September 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 (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "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 depended on our 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, we considered internal control relevant to the Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2017, 2018, 2019 and 2020, of the Company's financial position as at 31 March 2020 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE 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 12 to the Historical Financial Information which contains information about the dividends declared/paid by entities now comprising the Group in respect of the Track Record Period.

Preparation or audit of financial statements

At the date of this report, no statutory audited financial statements have been prepared for the Company since its incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Track Record Period have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 15 September 2020

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 accountants' report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by Mazars CPA Limited, *Certified Public Accountants, Hong Kong* in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 March			
		2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	5	440,124	415,323	505,188	434,624
Cost of services		<u>(386,419)</u>	<u>(358,196)</u>	<u>(416,686)</u>	<u>(355,377)</u>
Gross profit		53,705	57,127	88,502	79,247
Other income	6	10	6	1,060	261
Administrative and other operating expenses		(6,761)	(7,259)	(9,807)	(12,334)
Finance costs	7	(23)	(39)	(48)	(176)
Listing expenses		<u>–</u>	<u>–</u>	<u>(2,128)</u>	<u>(18,136)</u>
Profit before tax	7	46,931	49,835	77,579	48,862
Income tax expenses	10	<u>(7,954)</u>	<u>(8,081)</u>	<u>(13,103)</u>	<u>(10,856)</u>
Profit and total comprehensive income for the year		<u><u>38,977</u></u>	<u><u>41,754</u></u>	<u><u>64,476</u></u>	<u><u>38,006</u></u>
Profit and total comprehensive income attributable to:					
Owners of the Company		38,981	41,754	64,476	38,006
Non-controlling interests		<u>(4)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit and total comprehensive income for the year		<u><u>38,977</u></u>	<u><u>41,754</u></u>	<u><u>64,476</u></u>	<u><u>38,006</u></u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 March			
	<i>Note</i>	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Non-current assets					
Property, plant and equipment	13	8,969	15,923	10,944	7,191
Deferred tax assets	21	1,483	646	–	357
		<u>10,452</u>	<u>16,569</u>	<u>10,944</u>	<u>7,548</u>
Current assets					
Trade and other receivables	14	2,901	7,708	17,006	142,906
Contract assets	15	79,311	108,454	119,252	142,822
Contract costs	16	–	472	–	2,439
Bank balances and cash		45,962	29,580	33,917	43,856
		<u>128,174</u>	<u>146,214</u>	<u>170,175</u>	<u>332,023</u>
Current liabilities					
Trade and other payables	17	37,990	36,098	29,158	132,584
Interest-bearing borrowings	18	–	–	–	15,100
Amount due to the Ultimate Controlling Party	19	11,701	8,208	706	174
Income tax payable		15,235	18,704	24,145	26,218
Lease liabilities	20	258	742	562	601
		<u>65,184</u>	<u>63,752</u>	<u>54,571</u>	<u>174,677</u>
Net current assets		<u>62,990</u>	<u>82,462</u>	<u>115,604</u>	<u>157,346</u>
Total assets less current liabilities		<u>73,442</u>	<u>99,031</u>	<u>126,548</u>	<u>164,894</u>
Non-current liabilities					
Deferred tax liabilities	21	765	1,375	770	159
Lease liabilities	20	182	407	53	1,004
		<u>947</u>	<u>1,782</u>	<u>823</u>	<u>1,163</u>
NET ASSETS		<u><u>72,495</u></u>	<u><u>97,249</u></u>	<u><u>125,725</u></u>	<u><u>163,731</u></u>
Capital and reserves					
Share capital	22(a)	–	–	–	–*
Reserves		72,621	97,249	125,725	163,731
Equity attributable to owners of the Company		72,621	97,249	125,725	163,731
Non-controlling interests		(126)	–	–	–
TOTAL EQUITY		<u><u>72,495</u></u>	<u><u>97,249</u></u>	<u><u>125,725</u></u>	<u><u>163,731</u></u>

* Represent amounts less than HK\$1,000.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	At 31 March 2020 HK\$'000
Non-current assets		
Investment in subsidiaries	22(b)	—*
Current assets		
Amount due from immediate holding company	22(c)	—*
NET ASSETS		—*
Capital		
Share capital	22(a)	—*

* Represent amounts less than HK\$1,000.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total equity HK\$'000
	Reserves				Non- controlling interests HK\$'000	
	Share capital HK\$'000 <i>(Note 22(a))</i>	Capital reserve HK\$'000 <i>(Note 23)</i>	Accumulated profits HK\$'000	Total HK\$'000		
At 1 April 2016	–	26	47,614	47,640	(122)	47,518
Profit and total comprehensive income for the year	–	–	38,981	38,981	(4)	38,977
Transactions with owners						
<i>Contributions and distributions</i>						
Dividend declared and paid <i>(Note 12)</i>	–	–	(14,000)	(14,000)	–	(14,000)
At 31 March 2017	–	26	72,595	72,621	(126)	72,495
At 1 April 2017	–	26	72,595	72,621	(126)	72,495
Profit and total comprehensive income for the year	–	–	41,754	41,754	–	41,754
Transactions with owners						
<i>Contributions and distributions</i>						
Dividend declared and paid <i>(Note 12)</i>	–	–	(17,000)	(17,000)	–	(17,000)
Capital contribution from the Ultimate Controlling Party <i>(Note 24)</i>	–	4	–	4	(4)	–
<i>Changes in ownership interests</i>						
Acquisition of additional interest in a subsidiary <i>(Note 24)</i>	–	–	(130)	(130)	130	–
	–	4	(17,130)	(17,126)	126	(17,000)
At 31 March 2018	–	30	97,219	97,249	–	97,249

	Attributable to owners of the Company					Total equity HK\$'000
	Reserves				Non- controlling interests HK\$'000	
	Share capital HK\$'000 (Note 22(a))	Capital reserve HK\$'000 (Note 23)	Accumulated profits HK\$'000	Total HK\$'000		
At 1 April 2018	–	30	97,219	97,249	–	97,249
Profit and total comprehensive income for the year	–	–	64,476	64,476	–	64,476
Transactions with owners						
<i>Contributions and distributions</i>						
Dividend declared and paid (Note 12)	–	–	(36,000)	(36,000)	–	(36,000)
At 31 March 2019	–	30	125,695	125,725	–	125,725
At 1 April 2019	–	30	125,695	125,725	–	125,725
Profit and total comprehensive income for the year	–	–	38,006	38,006	–	38,006
Transactions with owners						
<i>Contributions and distributions</i>						
Issue of share capital	–*	–	–	–*	–	–*
At 31 March 2020	–*	30	163,701	163,731	–	163,731

* Represent amounts less than HK\$1,000.

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March			
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES					
Cash generated from operations	25	56,497	17,992	57,636	5,946
Income tax paid		(780)	(3,165)	(7,621)	(9,751)
Finance cost paid		(23)	(39)	(48)	(176)
Net cash from (used in) operating activities		<u>55,694</u>	<u>14,788</u>	<u>49,967</u>	<u>(3,981)</u>
INVESTING ACTIVITIES					
Interest received		–	–	2	–
Purchase of property, plant and equipment		(5,213)	(10,146)	(1,288)	(25)
Proceeds from disposal of property, plant and equipment		–	7	–	–
Net cash used in investing activities		<u>(5,213)</u>	<u>(10,139)</u>	<u>(1,286)</u>	<u>(25)</u>
FINANCING ACTIVITIES					
Dividend paid		(14,000)	(17,000)	(36,000)	–
Addition of interest-bearing borrowings		–	–	–	16,821
Repayment of interest-bearing borrowings		–	–	–	(1,721)
(Repayment to) Advance from the Ultimate Controlling Party		(3,060)	(3,493)	(7,502)	(532)
Repayment of lease liabilities		(364)	(538)	(842)	(623)
Net cash (used in) from financing activities		<u>(17,424)</u>	<u>(21,031)</u>	<u>(44,344)</u>	<u>13,945</u>
Net increase (decrease) in cash and cash equivalents		33,057	(16,382)	4,337	9,939
Cash and cash equivalents at the beginning of the year		<u>12,905</u>	<u>45,962</u>	<u>29,580</u>	<u>33,917</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash		<u>45,962</u>	<u>29,580</u>	<u>33,917</u>	<u>43,856</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 31 May 2019. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY-1111, Cayman Islands. The Company's principal place of business is situated at Room 1101, Yuen Long Centre Building, 55 Sau Fu Street, Yuen Long, New Territories, Hong Kong.

The principal activity of the Company is investment holding. During the Track Record Period, the Group is principally engaged in provision of formwork works services in Hong Kong.

At the date of this report, in the opinion of the directors of the Company, the immediate and ultimate holding company is Sky Mission Group Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). The ultimate controlling party is Mr. Leung Yam Cheung (formerly known as Leung Wah Fei) (the "Ultimate Controlling Party").

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 26 November 2019 (subject to the increase in the authorised share capital of the Company as set out in Note 30), as detailed in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus issued in connection with the initial listing on the Main Board of the Stock Exchange (the "Listing"), the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct/indirect interests are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Paid up capital	Attributable equity interests held by the Company	Principal activities/ place of operation
<i>Directly held by the Company</i>				
Evergreen Construction Development Holding Limited ("Evergreen")	The BVI, 18 July 2019	Nil	100%	Investment holding/ Hong Kong
Everbright Construction Engineering Holding Limited ("Everbright")	The BVI, 18 July 2019	Nil	100%	Investment holding/ Hong Kong
Evergrow Construction Equipment Holding Limited ("Evergrow")	The BVI, 18 July 2019	Nil	100%	Investment holding/ Hong Kong
<i>Indirectly held by the Company</i>				
Temtex Engineering Limited ("Temtex")	Hong Kong, 21 October 1998	HK\$10,000	100%	Provision of formwork works services/Hong Kong
Temtex Brothers Engineering Limited ("Temtex Brothers")	Hong Kong, 9 October 2008	HK\$10,000	100%	Provision of formwork works services/Hong Kong

Name of subsidiary	Place and date of incorporation/ establishment	Paid up capital	Attributable equity interests held by the Company	Principal activities/ place of operation
Kennex Scaffolding System Co., Limited ("Kennex")	Hong Kong, 23 March 2015	HK\$10,000	100%	Supply of metal scaffold equipment and related parts/Hong Kong

The statutory audited financial statements of Temmex, Temmex Brothers and Kennex for the year ended 31 March 2020 have not been issued as at the date of this report as they are not yet due for issuance.

The financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that fall into the Track Record Period have been audited as follows:

Subsidiary	Financial period	Auditors
Temmex	Years ended 31 March 2017, 2018 and 2019	W. H. Shum & Co.
Temmex Brothers	Years ended 31 March 2017, 2018 and 2019	W. H. Shum & Co.
Kennex	Years ended 31 March 2017, 2018 and 2019	W. H. Shum & Co.

No statutory audited financial statements have been prepared by Evergreen, Everbright and Evergrow for the period from their respective dates of incorporation to the date of this report as they are not required to issue audited financial statements under the statutory requirements of the BVI.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are ultimately controlled by the Ultimate Controlling Party. The Group's business is mainly conducted through Temmex, Temmex Brothers and Kennex while the Company and other entities within the Group have not been involved in any other significant activities prior to and after the Reorganisation. Because the Reorganisation did not result in any change in the management and the ultimate control of the Group's business, it is considered as a business combination under common control. Accordingly, except for the acquisition of additional interest in Temmex Brothers which was completed on 25 July 2017 as detailed in Note 24 which acquisition method of accounting was adopted in accordance with the accounting policy as set out in paragraph headed "Basis of combinations – acquisition method of accounting" in Note 3, the Historical Financial Information as included in this report is prepared using the carrying values of the entities involved in the Reorganisation for all periods presented on a basis in accordance with the principles of merger accounting as set out in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

As further explained in the paragraph headed "Basis of combinations – merger accounting for common control combinations" in Note 3, the Historical Financial Information presents the combined financial performance, combined changes in equity, combined cash flows and combined financial positions of the entities now comprising the Group as if the current group structure, except for the acquisition of additional interest in Temmex Brothers prior to the Reorganisation, had always been in existence throughout the Track Record Period.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conforms with HKFRSs issued by the HKICPA.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with the basis set out below which conforms with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The HKICPA has issued a number of new/revised HKFRSs during the Track Record Period. For the purpose of the Historical Financial Information, the Group has consistently adopted all these new/revised HKFRSs that are relevant to its operations and are effective during the Track Record Period (including HKFRS 9 “*Financial Instruments*”, HKFRS 15 “*Revenue from Contracts with Customers*” and HKFRS 16 “*Leases*”). The Group considers that the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 does not have any significant impact on its financial position and performance of the Group compared to the requirements of HKAS 39 “*Financial Instruments: Recognition and Measurement*”, HKAS 18 “*Revenue*” and HKAS 17 “*Leases*”.

A summary of the principal accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

Basis of combinations

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

The acquisition method is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions which qualify as business combination under common control which are accounted for using merger accounting.

(a) Acquisition method of accounting

The acquisition method of accounting involves allocating cost of the business combination to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

(b) Merger accounting for common control combinations

The Historical Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Ultimate Controlling Party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Ultimate Controlling Party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recognised as part of the capital reserve. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investment in subsidiaries is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Right-of-use assets	Shorter of assets useful lives or lease term
Metal scaffold equipment and related parts	4 years
Motor vehicles	4 years
Decoration	4–10 years
Computer equipment	4 years
Furniture and fixtures	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments*Financial assets**Recognition and derecognition*

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, contract assets and bank balances and cash.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, amount due to the Ultimate Controlling Party and lease liabilities. All financial liabilities, except for financial liabilities at FVPL and lease liabilities, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) nature of financial instruments;
- (ii) past-due status;
- (iii) nature, size and industry of debtors; and
- (iv) external credit risk ratings where available.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

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

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information to demonstrate otherwise.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed on Note 28, other receivables and bank balances and cash are determined to have low credit risk.

Simplified approach of ECL

For trade receivables and contract assets without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition*Revenue from contracts with customers within HKFRS 15*

The Group adopts a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Nature of goods or services

The nature of the goods or services provided by the Group is provision of formwork works services.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from provision of formwork works services is recognised over time using the output method (as explained below).

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Variable consideration

If the consideration promised in a contract includes a variable amount (variations in contract work), the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Rental income from lease of metal scaffold equipment and related parts

Rental income from lease of metal scaffold equipment and related parts is recognised when the metal scaffold equipment and related parts are let out and on a straight-line basis over the lease terms.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of provision of formwork works services, in accordance with the standard payment schedules of the Group and the contracts with customers, payments are normally not due or received from the customer until the services are completed or when the goods are delivered and certified by the customers. However, for such transactions, revenue is recognised over time and therefore, a contract asset is recognised until it becomes a receivable or payments are received. During that period, any significant financing components, if applicable, will be included in the contract asset and recognised as interest income.

Contract costs

Contract costs are costs (other than those that are accounted for as property, plant and equipment) to fulfil contracts with customers. Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses.

The costs to fulfil contracts are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, generate or enhance resources that will be used to provide goods or services in the future, and are expected to be recovered. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred. The costs are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services under the specific existing and anticipated contracts to which the costs relate.

An impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses. A reversal of impairment loss is recognised in profit or loss when the impairment conditions no longer exist or have improved provided the increased carrying amount of the asset shall not exceed the amount that would have been determined if no impairment loss had been recognised previously.

Foreign currency translation

Items included in the financial statements 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 Company's functional currency is HK\$.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that property, plant and equipment and the Company's investment in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Leases***The Group as lessee***

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset (included in property, plant and equipment) and corresponding liability at the date of which the 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 profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 that are not paid:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- 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 Group exercising an option to terminate the lease.

Right-of-use assets are measured at cost comprising the followings:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- restoration costs unless those costs are incurred to produce inventories.

Payments associated with short-term leases or leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture with individual value below HK\$39,000.

The Group as lessor

The Group leases certain of its property, plant and equipment, comprising metal scaffold equipment and related parts to other parties.

Rental income from leases is recognised in revenue on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group's entities established in Hong Kong in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Operating segments that meet the quantitative thresholds are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Other operating segments may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

(i) Useful lives of property, plant and equipment

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) Impairment of property, plant and equipment

The management determines whether the Group's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, which is equal to the higher of fair value less cost of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Loss allowance for ECL

The management of the Group estimates the loss allowance for trade receivables and contract assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and contract assets.

(iv) Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards, as appropriate. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on results and financial position of the Group.

(v) Revenue recognition from construction works

As explained in the paragraph headed "Revenue recognition" in Note 3, management measures the value of completed construction work based on output method, which is to recognise revenue on the basis of direct measurement of the value of construction works transferred to the customer to date relative to the remaining construction works promised to be completed under the construction contracts. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods and the scope of work may change during the construction period. The management's estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The Group has the quantity surveyor to periodically measure the value of the construction works completed for each construction project and issue the interim payment applications. The construction works performed by the Group would also be certified by the customers periodically according to the construction contracts. The management reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progress based on the interim payment applications and the payment certificate issued by the customers.

Future changes in HKFRSs

At the date of approving the Historical Financial Information, the HKICPA has issued the following new/ revised HKFRSs that are not yet effective for the Track Record Period, which the Group has not early adopted:

Amendments to HKASs 1 and 8	Definition of Material ⁽¹⁾
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform ⁽¹⁾
Amendments to HKFRS 3	Definition of a Business ⁽²⁾
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions ⁽³⁾
HKFRS 17	Insurance Contracts ⁽⁴⁾
Amendments to HKAS 16	Proceeds before Intended Use ⁽⁵⁾
Amendments to HKAS 37	Cost of Fulfilling a Contract ⁽⁵⁾
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁽⁵⁾

Annual Improvements to HKFRSs	2018–2020 Cycle ⁽⁵⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁽⁶⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁷⁾

- (1) Effective for annual periods beginning on or after 1 January 2020
- (2) Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
- (3) Effective for annual periods beginning on or after 1 June 2020
- (4) Effective for annual periods beginning on or after 1 January 2021
- (5) Effective for annual periods beginning on or after 1 January 2022
- (6) Effective for annual periods beginning on or after 1 January 2023
- (7) The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's financial information.

4. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the reporting periods, as the Group manages its business as a whole as the provision of formwork works services in Hong Kong and the executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. All of the Group's revenue from external customers during the reporting periods is derived from Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of aggregate revenue of the Group during the Track Record Period are as follows:

	Year ended 31 March			
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A	89,649	113,495	203,223	68,643
Customer B	134,101	148,283	184,170	179,252
Customer C	N/A ^{Note}	72,741	93,765	71,063
Customer D	61,131	N/A ^{Note}	N/A ^{Note}	N/A ^{Note}
Customer E	119,301	N/A ^{Note}	N/A ^{Note}	N/A ^{Note}
Customer F	N/A ^{Note}	N/A ^{Note}	N/A ^{Note}	65,039

Note: The customers contributed less than 10% of the total revenue of the Group for relevant year.

5. REVENUE

(a) Analysis of the Group's revenue

During the Track Record Period, all of the Group's revenue was arising from provision of formwork works services. All of the Group's revenue from provision of formwork works services was recognised over time.

(b) Performance obligation for contracts with customers

The Groups provides formwork works services to customers. The revenue of such services is recognised over time as the Group creates or enhances an asset that the customer controls as the assets is created or enhanced. Revenue is recognised for these construction services based on the value of completed construction work using output method.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completion construction work from the customers.

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) (upon taken into account adjustments and variation orders) as at 31 March 2017, 2018, 2019 and 2020 amounted to approximately HK\$572,500,000, HK\$468,500,000, HK\$236,000,000 and HK\$378,400,000 respectively. Management expects that all the remaining performance obligations will be recognised as revenue ranging from 1 to 3 years from the end of each reporting period.

6. OTHER INCOME

	Year ended 31 March			
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	–	–	2	–
Gross rental from lease of metal scaffold equipment and related parts	–	–	1,036	163
Gain on de-recognition of lease liabilities and right-of-use assets, net	–	–	–	21
Others	10	6	22	77
	<u>10</u>	<u>6</u>	<u>1,060</u>	<u>261</u>

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
a) Finance costs				
Interest on lease liabilities	23	39	48	65
Interest on interest-bearing borrowings	–	–	–	111
	<u>23</u>	<u>39</u>	<u>48</u>	<u>176</u>
b) Staff costs, including directors' remuneration				
Salaries, allowances, discretionary bonus and other benefits in kind	310,993	284,546	353,395	229,872
Contributions to defined contribution plans	8,160	6,354	10,546	7,244
<i>Note (i)</i>	<u>319,153</u>	<u>290,900</u>	<u>363,941</u>	<u>237,116</u>
c) Other items				
Cost of materials recognised as cost of services	40,603	51,013	36,015	77,392
Subcontracting fees recognised as cost of services	16,086	5,193	6,305	31,723
Auditor's remuneration	82	85	85	165
Depreciation of property, plant and equipment (included in "cost of services" and "administrative and other operating expenses", as appropriate)	3,305	4,419	6,575	5,412
Loss on disposal of property, plant and equipment	–	13	–	–
Short-term lease payments on premises (included in "cost of services" and "administrative and other operating expenses", as appropriate)	205	524	568	584

Note (i): During the years ended 31 March 2017, 2018, 2019 and 2020, total staff costs of HK\$313,697,000, HK\$285,239,000, HK\$356,980,000 and HK\$230,515,000 were included in the cost of services respectively. The remaining staff costs were recognised in administrative and other operating expenses.

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The Company was incorporated in the Cayman Islands on 31 May 2019 and Mr. Leung Yam Cheung was appointed as a director of the Company on 31 May 2019 and re-designated as an executive director of the Company on 4 November 2019. Mr. Leung Wing Chun, Mr. Leung Wing Hoi and Mr. Cheung Kit Hung were appointed as executive directors of the Company on 4 November 2019. Mr. Yau Sheung Hang was appointed as the non-executive director of the Company on 4 November 2019. Mr. Ng Lin Fung, Mr. Lam Kwong Siu, Mr. Chu Hau Lim and Mr. Leung Ka Ho Raymond were appointed as independent non-executive directors of the Company on 7 September 2020, 4 November 2019, 7 September 2020 and 7 September 2020, respectively.

Certain directors of the Company received remuneration from the entities now comprising the Group during the Track Record Period for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Track Record Period are set out below.

Year ended 31 March 2017

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive directors</i>					
Mr. Leung Yam Cheung	–	360	2,000	18	2,378
Mr. Leung Wing Chun	–	417	–	13	430
Mr. Leung Wing Hoi	–	–	–	–	–
Mr. Cheung Kit Hung	–	380	1,530	18	1,928
	–	1,157	3,530	49	4,736

Year ended 31 March 2018

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive directors</i>					
Mr. Leung Yam Cheung	–	286	2,200	18	2,504
Mr. Leung Wing Chun	–	469	–	13	482
Mr. Leung Wing Hoi	–	193	–	5	198
Mr. Cheung Kit Hung	–	622	4,433	18	5,073
	–	1,570	6,633	54	8,257

Year ended 31 March 2019

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive directors</i>					
Mr. Leung Yam Cheung	–	960	2,200	18	3,178
Mr. Leung Wing Chun	–	560	–	13	573
Mr. Leung Wing Hoi	–	177	–	5	182
Mr. Cheung Kit Hung	–	366	1,587	18	1,971
	–	2,063	3,787	54	5,904

Year ended 31 March 2020

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive directors</i>					
Mr. Leung Yam Cheung	–	1,500	–	18	1,518
Mr. Leung Wing Chun	–	884	–	18	902
Mr. Leung Wing Hoi	–	884	–	18	902
Mr. Cheung Kit Hung	–	1,248	–	18	1,266
<i>Non-executive director</i>					
Mr. Yau Sheung Hang	–	–	–	–	–
<i>Independent non-executive director</i>					
Mr. Lam Kwong Siu	–	–	–	–	–
	–	4,516	–	72	4,588

Mr. Cheung Kit Hung is the chief executive officer of the Group, and his emoluments disclosed above included those for services rendered by him as chief executive officer during the Track Record Period.

During the Track Record Period, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Track Record Period is as follows:

	Number of individuals			
	Year ended 31 March			
	2017	2018	2019	2020
Director	2	2	2	4
Non-director	3	3	3	1
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 March			
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and other benefits in kind	4,937	4,484	3,878	872
Discretionary bonus	570	627	1,398	–
Contributions to defined contribution plans	38	45	49	14
	<u>5,545</u>	<u>5,156</u>	<u>5,325</u>	<u>886</u>

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Number of individuals			
	Year ended 31 March			
	2017	2018	2019	2020
Nil to HK\$1,000,000	–	–	–	1
HK\$1,000,001 to HK\$1,500,000	–	1	2	–
HK\$1,500,001 to HK\$2,000,000	3	1	–	–
HK\$2,000,001 to HK\$2,500,000	–	1	–	–
HK\$2,500,001 to HK\$3,000,000	–	–	1	–
	<u>3</u>	<u>3</u>	<u>3</u>	<u>1</u>

During the Track Record Period, no remuneration were paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Track Record Period.

10. INCOME TAX EXPENSES

	Year ended 31 March			
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong Profits Tax – current year	8,272	6,634	13,062	11,824
Deferred tax				
Origination and reversal of temporary differences (<i>Note 21</i>)	(318)	1,447	41	(968)
Income tax expenses	<u>7,954</u>	<u>8,081</u>	<u>13,103</u>	<u>10,856</u>

The Group entities established in the in the Cayman Islands and the BVI are exempted from income tax.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong during 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 the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the year ended 31 March 2019, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong.

Reconciliation of income tax expenses

	Year ended 31 March			
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before tax	<u>46,931</u>	<u>49,835</u>	<u>77,579</u>	<u>48,862</u>
Income tax at applicable income tax rate	7,744	8,223	12,801	8,062
Non-deductible expenses	55	37	386	2,992
Tax concession	(40)	(90)	(225)	(225)
Others	<u>195</u>	<u>(89)</u>	<u>141</u>	<u>27</u>
Income tax expenses	<u>7,954</u>	<u>8,081</u>	<u>13,103</u>	<u>10,856</u>

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Dividends declared to the equity owners of the entities now comprising the Group	14,000	17,000	36,000	–

Dividend per share is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Metal scaffold equipment and related parts HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Decoration HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Reconciliation of carrying amount – year ended 31 March 2017							
At 1 April 2016	463	6,229	30	5	–	–	6,727
Additions	334	4,656	–	24	533	–	5,547
Depreciation	(365)	(2,869)	(10)	(8)	(53)	–	(3,305)
At 31 March 2017	432	8,016	20	21	480	–	8,969
Reconciliation of carrying amount – year ended 31 March 2018							
At 1 April 2017	432	8,016	20	21	480	–	8,969
Additions	1,247	10,072	–	3	53	18	11,393
Disposal	–	–	(20)	–	–	–	(20)
Depreciation	(545)	(3,802)	–	(8)	(59)	(5)	(4,419)
At 31 March 2018	1,134	14,286	–	16	474	13	15,923

	Right-of-use assets HK\$'000	Metal scaffold equipment and related parts HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Decoration HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Reconciliation of carrying amount – year ended							
31 March 2019							
At 1 April 2018	1,134	14,286	–	16	474	13	15,923
Additions	308	1,205	–	36	39	8	1,596
Depreciation	(842)	(5,650)	–	(13)	(63)	(7)	(6,575)
At 31 March 2019	<u>600</u>	<u>9,841</u>	<u>–</u>	<u>39</u>	<u>450</u>	<u>14</u>	<u>10,944</u>
Reconciliation of carrying amount – period ended							
31 March 2020							
At 1 April 2019	600	9,841	–	39	450	14	10,944
Additions	1,993	–	–	3	15	7	2,018
Disposal	(359)	–	–	–	–	–	(359)
Depreciation	(649)	(4,684)	–	(14)	(58)	(7)	(5,412)
At 31 March 2020	<u>1,585</u>	<u>5,157</u>	<u>–</u>	<u>28</u>	<u>407</u>	<u>14</u>	<u>7,191</u>
At 31 March 2017							
Cost	972	11,976	40	31	533	–	13,552
Accumulated depreciation	(540)	(3,960)	(20)	(10)	(53)	–	(4,583)
	<u>432</u>	<u>8,016</u>	<u>20</u>	<u>21</u>	<u>480</u>	<u>–</u>	<u>8,969</u>
At 31 March 2018							
Cost	2,219	22,048	–	34	586	18	24,905
Accumulated depreciation	(1,085)	(7,762)	–	(18)	(112)	(5)	(8,982)
	<u>1,134</u>	<u>14,286</u>	<u>–</u>	<u>16</u>	<u>474</u>	<u>13</u>	<u>15,923</u>
At 31 March 2019							
Cost	2,527	23,253	–	70	625	26	26,501
Accumulated depreciation	(1,927)	(13,412)	–	(31)	(175)	(12)	(15,557)
	<u>600</u>	<u>9,841</u>	<u>–</u>	<u>39</u>	<u>450</u>	<u>14</u>	<u>10,944</u>
At 31 March 2020							
Cost	3,601	23,253	–	73	640	33	27,600
Accumulated depreciation	(2,016)	(18,096)	–	(45)	(233)	(19)	(20,409)
	<u>1,585</u>	<u>5,157</u>	<u>–</u>	<u>28</u>	<u>407</u>	<u>14</u>	<u>7,191</u>

14. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	At 31 March			
		2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables of construction works					
Less: Allowance for ECL	14(b)	7,126	11,922	16,041	143,985
		(4,392)	(4,397)	(4,398)	(5,494)
	14(a)	<u>2,734</u>	<u>7,525</u>	<u>11,643</u>	<u>138,491</u>
Other receivables					
Deposits and other receivables		167	163	506	497
Prepayment for listing expenses		–	–	4,833	710
Prepayment to suppliers		–	–	–	2,600
Other prepaid expenses		–	20	24	608
		<u>167</u>	<u>183</u>	<u>5,363</u>	<u>4,415</u>
		<u>2,901</u>	<u>7,708</u>	<u>17,006</u>	<u>142,906</u>

(a) Trade receivables of construction works

The Group would normally require the customers to certify the construction works completed and make payments within 35 to 45 days from the date of issuance of the Group's payment applications.

The ageing analysis of trade receivables (net of allowance for ECL) based on the date of issuance of the Group's payment applications at the end of each reporting period is as follows:

	At 31 March			
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	–	–	–	–
31 to 60 days	1,805	6,192	10,681	59,976
61 to 90 days	840	–	550	31,391
Over 90 days but less than 1 year	–	1,244	162	46,715
Over 1 year	89	89	250	409
	<u>2,734</u>	<u>7,525</u>	<u>11,643</u>	<u>138,491</u>

Information about the Company's exposure to credit risks for trade receivables is included in Note 28.

At the end of each reporting period, the ageing analysis of the trade receivables (net of allowance for ECL) by due date is as follows:

	At 31 March			
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Not yet due	–	–	–	16,420
Past due:				
Within 30 days	1,805	6,192	10,681	56,303
31 to 60 days	840	–	–	20,142
61 to 90 days	–	–	550	18,125
Over 90 days but less than 1 year	–	1,244	162	27,092
Over 1 year	89	89	250	409
	2,734	7,525	11,643	122,071
	2,734	7,525	11,643	138,491

The Group does not hold any collateral over the trade receivables.

(b) Allowance for ECL

The movement in the impairment loss allowance for trade receivables is as follows:

	Year ended 31 March			
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the reporting period	4,428	4,392	4,397	4,398
(Reversal of) Provision for impairment loss	(36)	5	1	1,096
At the end of the reporting period	4,392	4,397	4,398	5,494

15. CONTRACT ASSETS

	2017	At 31 March		2020
	HK\$'000	2018	2019	HK\$'000
		HK\$'000	HK\$'000	HK\$'000
Analysed as current:				
Unbilled revenue of construction works	38,536	67,307	80,904	101,288
Retention money receivables of construction works	40,822	41,243	38,433	42,672
	<u>79,358</u>	<u>108,550</u>	<u>119,337</u>	<u>143,960</u>
Less: Allowance for ECL	(47)	(96)	(85)	(1,138)
	<u>79,311</u>	<u>108,454</u>	<u>119,252</u>	<u>142,822</u>

Notes:

- (i) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction works completed by the Group and the works are pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completion construction works from the customers.
- (ii) Retention money receivables included in contract assets represents the Group's right to receive consideration for work performed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction works performed by the Group.
- (iii) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within HKFRS 15 during the year are as follows:

	Year ended 31 March			
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the reporting period	79,628	79,311	108,454	119,252
Transfer to trade receivables	(67,604)	(60,831)	(88,199)	(95,775)
Recognition of revenue	67,169	90,023	98,986	120,398
Reversal/(Provision) of impairment loss	118	(49)	11	(1,053)
	<u>79,311</u>	<u>108,454</u>	<u>119,252</u>	<u>142,822</u>
At the end of the reporting period	<u>79,311</u>	<u>108,454</u>	<u>119,252</u>	<u>142,822</u>

(a) Expected timing of recovery or settlement for contract assets

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. At 31 March 2017, 2018, 2019 and 2020, the unbilled revenue and retention money receivables included in the contract assets that are expected to be recovered after more than 12 months are approximately HK\$28,021,000, HK\$30,445,000, HK\$29,193,000 and HK\$30,343,000, respectively.

(b) Allowance for ECL

The movement in the impairment loss allowance for contract assets is as follows:

	Year ended 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the reporting period	165	47	96	85
(Reversal of) Provision for impairment loss	(118)	49	(11)	1,053
	<u>47</u>	<u>96</u>	<u>85</u>	<u>1,138</u>
At the end of the reporting period	<u>47</u>	<u>96</u>	<u>85</u>	<u>1,138</u>

Information about the Company's exposure to credit risks for contract assets is included in Note 28.

16. CONTRACT COSTS

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost to fulfil contracts:				
Materials	–	239	–	2,439
Staff costs	–	222	–	–
Others	–	11	–	–
	<u>–</u>	<u>472</u>	<u>–</u>	<u>2,439</u>

Contract costs capitalised relate to staff cost incurred and materials acquired to be used in satisfying or continuing to satisfy performance obligations of respective construction contracts in the future. Contract costs are recognised as part of cost of services in the combined statements of profit or loss and other comprehensive income in the period in which revenue from the related construction contracts is recognised.

17. TRADE AND OTHER PAYABLES

	<i>Note</i>	At 31 March			
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Trade payables	17(a)	4,228	7,155	5,065	76,025
Other payables					
Salaries and other employee benefits payables		26,669	27,905	22,574	52,374
Amount due to a related company (<i>Note (i)</i>)		6,438	–	–	–
Accruals and other payables (<i>Note (ii)</i>)		655	1,038	1,519	4,185
		33,762	28,943	24,093	56,559
		37,990	36,098	29,158	132,584

Note (i): The amount was due to a related company which is controlled by the Ultimate Controlling Party. The amount due is non-trade in nature, unsecured, interest-free and repayment on demand. The amount was fully settled during the year ended 31 March 2018.

Note (ii): The amount included accrued listing expenses of approximately Nil, Nil, Nil and HK\$2,873,000 at 31 March 2017, 2018, 2019 and 2020, respectively.

(a) Trade payables

The trade payables are non-interest bearing and the Group is normally granted with credit term up to 90 days.

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

	At 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Within 60 days	3,184	6,535	3,212	75,985
61 to 90 days	1,044	557	979	–
Over 90 days	–	63	874	40
	4,228	7,155	5,065	76,025

18. INTEREST-BEARING BORROWINGS

On 15 November 2019, the Group entered into a credit facility with a bank for an aggregate amount of HK\$10,000,000 that was secured by personal guarantees given by certain directors and senior management of the Company. On 20 November 2019, the Group had drawn down a term loan with principal amount of HK\$5,000,000 maturing in May 2021 and bears interest at HIBOR plus 3% per annum. Therefore, the unutilised credit facility available to the Group amounted to HK\$5,000,000. On 11 February 2020, the Group was granted a tax loan from the bank with principal amount of approximately HK\$11,821,000 that was secured by personal guarantees given by certain directors and senior management of the Company. The tax loan bears interest at HIBOR plus 1.5% per annum and is fully repayable in August 2021.

The above personal guarantees will be released and replaced by a corporate guarantee provided by the Company before or upon the Listing. The weighted average effective interest rate on the interest-bearing borrowings is 4.8% per annum.

Interest-bearing borrowings of HK\$15,100,000 at 31 March 2020, with a clause in their terms that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, are classified as current liabilities even though the directors do not expect that the lenders would exercise their rights to demand repayment.

Analysis of the amount due based on scheduled payment dates set out in the loan agreement (ignoring the effect of any repayment on demand clause) is as follow:

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	–	–	11,182
In the second year	–	–	–	3,918
	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,100</u>

19. AMOUNT DUE TO THE ULTIMATE CONTROLLING PARTY

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. Such amount will be fully settled prior to the listing.

20. LEASES**(a) Amounts recognised in the combined statements of financial position**

	At 31 March			
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets				
<i>(Note 13)</i>				
Offices	68	326	331	329
Warehouses	364	808	269	1,256
	<u>432</u>	<u>1,134</u>	<u>600</u>	<u>1,585</u>

	At 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Lease liabilities				
Current	258	742	562	601
Non-current	182	407	53	1,004
	<u>440</u>	<u>1,149</u>	<u>615</u>	<u>1,605</u>

(b) Amounts recognised in the combined statements of profit or loss and other comprehensive income

In addition to the information disclosed in Note 6 and Note 7 items related to leases are as follows:

	Year ended 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Depreciation charge of right-of-use assets				
Offices	91	144	303	265
Warehouses	274	401	539	384
	<u>365</u>	<u>545</u>	<u>842</u>	<u>649</u>
Interest expenses (included in finance costs)	23	39	48	65

(c) Lease liabilities

	Lease payments At 31 March				Present value of lease payments At 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Amount payable:								
Within one year	272	781	576	647	258	742	562	601
In the second to fifth years inclusive	190	415	54	1,050	182	407	53	1,004
	<u>462</u>	<u>1,196</u>	<u>630</u>	<u>1,697</u>	<u>440</u>	<u>1,149</u>	<u>615</u>	<u>1,605</u>
Less: future finance charges	(22)	(47)	(15)	(92)	–	–	–	–
Total lease liabilities	<u>440</u>	<u>1,149</u>	<u>615</u>	<u>1,605</u>	<u>440</u>	<u>1,149</u>	<u>615</u>	<u>1,605</u>

The Group discounted lease payment using its incremental borrowing rate of 5%.

(d) Amounts recognised in the combined statements of cash flows

	Year ended 31 March			
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Repayment of lease liabilities	364	538	842	623
Interest expenses	23	39	48	65
	<u>387</u>	<u>577</u>	<u>890</u>	<u>688</u>

Note: Total cash outflow for leases amounting to HK\$592,000, HK\$1,101,000, HK\$1,458,000 and HK\$1,272,000 for the years ended 31 March 2017, 2018, 2019 and 2020 respectively.

21. DEFERRED TAXATION

The following is the analysis of recognised deferred tax assets (liabilities) for financial reporting purposes:

	Assets				Liabilities			
	At 31 March				At 31 March			
	2017	2018	2019	2020	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets								
(liabilities)	1,483	724	–	357	(765)	(1,453)	(770)	(159)
Offsetting	–	(78)	–	–	–	78	–	–
	<u>1,483</u>	<u>646</u>	<u>–</u>	<u>357</u>	<u>(765)</u>	<u>(1,375)</u>	<u>(770)</u>	<u>(159)</u>

The following is the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	ECL <i>HK\$'000</i>	Accrued expenses <i>HK\$'000</i>	Depreciation allowances <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	724	218	(642)	100	400
(Charge) Credit to profit or loss	–	441	(123)	–	318
At 31 March 2017	724	659	(765)	100	718
(Charge) Credit to profit or loss	–	(659)	(610)	(178)	(1,447)
At 31 March 2018	724	–	(1,375)	(78)	(729)
(Charge) Credit to profit or loss	(724)	–	605	78	(41)
At 31 March 2019	–	–	(770)	–	(770)
Credit to profit or loss	357	–	611	–	968
At 31 March 2020	357	–	(159)	–	198

22. SHARE CAPITAL AND FINANCIAL INFORMATION OF THE COMPANY

(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 May 2019. Upon its incorporation, the authorised share capital of HK\$380,000 was divided into 38,000,000 ordinary shares at HK\$0.01 each and 1 ordinary share with a par value of HK\$0.01 was ultimately issued to and paid up by Sky Mission Group Limited.

Pursuant to the Reorganisation completed on 26 November 2019 (subject to the increase in authorised share capital of the Company as set out in Note 30), the Company became the holding company of the entities now comprising the Group. Further details of the changes in authorised and issued share capital of the Company since its incorporation are set out in the section headed “History, Reorganisation and Corporate Structure” of the Prospectus.

Saved as disclosed above, the Company has not commenced any significant business or operation since its incorporation.

(b) Investment in subsidiaries

Investment in subsidiaries represents 100% of the issued share capital of Evergreen, Everbright and Evergrow together with the par value of the shares issued by the Company pursuant to the Reorganisation.

(c) Amount due from immediate holding company

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand.

(d) There was no movement in reserves of the Company from 31 May 2019 (date of incorporation) to 31 March 2020. The corporate administrative costs of the Company and the expenses for the Listing were borne by the subsidiaries of the Company without recharge.

23. CAPITAL RESERVE

Capital reserve of the Group represents the aggregate amount of the issued and paid-up share capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

24. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 25 July 2017, the Ultimate Controlling Party acquired additional 40% equity interest in Temmex Brothers from non-controlling interests at a cash consideration of HK\$4,000. Upon the completion of the acquisition, the carrying amount of non-controlling interests of HK\$130,000 (in deficit balance) was recognised in equity. No revenue was generated from and no significant assets and liabilities were held by Temmex Brothers during the period from 1 April 2017 to 25 July 2017.

25. CASH GENERATED FROM OPERATIONS

	Year ended 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Profit before tax	46,931	49,835	77,579	48,862
Adjustments for:				
Depreciation of property, plant and equipment	3,305	4,419	6,575	5,412
Finance costs	23	39	48	176
Loss on disposal of property, plant and equipment	–	13	–	–
Gain on de-recognition of lease liabilities and right-of-use assets, net	–	–	–	(21)
Bank interest income	–	–	(2)	–
Provision for (Reversal of) impairment loss on trade receivables, net	(36)	5	1	1,096
Provision for (Reversal of) impairment loss on contract assets, net	(118)	49	(11)	1,053
	<u>50,105</u>	<u>54,360</u>	<u>84,190</u>	<u>56,578</u>
Operating cash flows before movement in working capital				
Change in working capital				
Decrease (Increase) in trade and other receivables	15,479	(4,812)	(9,299)	(126,996)
Decrease (Increase) in contract assets	435	(29,192)	(10,787)	(24,623)
(Increase) Decrease in contract costs	–	(472)	472	(2,439)
(Decrease) Increase in trade and other payables	(9,522)	(1,892)	(6,940)	103,426
	<u>(9,522)</u>	<u>(1,892)</u>	<u>(6,940)</u>	<u>103,426</u>
Cash generated from operations	<u><u>56,497</u></u>	<u><u>17,992</u></u>	<u><u>57,636</u></u>	<u><u>5,946</u></u>

26. RELATED PARTY/CONNECTED TRANSACTIONS

(a) Related party transactions

The Group has following related party transactions during the Track Record Period:

	Year ended 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Rental expenses relevant to a short-term lease entered into with a group of lessors in which a director of the Company and certain family members of another director of the Company have ownership interest in an underlying asset	200	480	480	200
Repayment of lease liabilities to a group of lessors in which a director of the Company and certain family members of another director of the Company have ownership interest in an underlying asset	–	–	–	244

(b) Remuneration for key management personnel (including directors) of the Group

	Year ended 31 March			
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Salaries, allowances and other benefits in kind	2,593	3,058	5,153	6,159
Discretionary bonus	5,150	8,415	5,185	151
Contributions to defined contribution plans	85	102	104	152
	<u>7,828</u>	<u>11,575</u>	<u>10,442</u>	<u>6,462</u>

Further details of the directors' remuneration are set out in Note 8.

27. ADDITIONAL INFORMATION ON CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 March 2017, 2018, 2019 and 2020, the Group entered into lease arrangements in respect of right-of-use assets with a total capital value at the inception of the leases of approximately HK\$334,000, HK\$1,247,000, HK\$308,000 and HK\$1,993,000 respectively.

(b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Period in the Group's liabilities arising from financing activities are as follows:

	Non-cash changes					At 31 March 2017 HK\$'000
	At 1 April 2016 HK\$'000	Net cash flows HK\$'000	Additions to property, plant and equipment HK\$'000	Derecognition of lease liabilities HK\$'000	Declaration of dividends HK\$'000	
Year ended 31 March 2017						
Dividends payables Due to the Ultimate Controlling Party	–	(14,000)	–	–	14,000	–
Lease liabilities	14,761	(3,060)	–	–	–	11,701
	470	(364)	334	–	–	440
	<u>15,231</u>	<u>(17,424)</u>	<u>334</u>	<u>–</u>	<u>14,000</u>	<u>12,141</u>

	Non-cash changes					At 31 March 2018 HK\$'000
	At 1 April 2017 HK\$'000	Net cash flows HK\$'000	Additions to property, plant and equipment HK\$'000	Derecognition of lease liabilities HK\$'000	Declaration of dividends HK\$'000	
Year ended 31 March 2018						
Dividends payables Due to the Ultimate Controlling Party	–	(17,000)	–	–	17,000	–
Lease liabilities	11,701	(3,493)	–	–	–	8,208
	440	(538)	1,247	–	–	1,149
	<u>12,141</u>	<u>(21,031)</u>	<u>1,247</u>	<u>–</u>	<u>17,000</u>	<u>9,357</u>

The movements during the Track Record Period in the Group's liabilities arising from financing activities are as follows:

	Non-cash changes					At 31 March 2019 HK\$'000
	At 1 April 2018 HK\$'000	Net cash flows HK\$'000	Additions to property, plant and equipment HK\$'000	Derecognition of lease liabilities HK\$'000	Declaration of dividends HK\$'000	
Year ended						
31 March 2019						
Dividends payables Due to the Ultimate Controlling Party	–	(36,000)	–	–	36,000	–
Lease liabilities	8,208	(7,502)	–	–	–	706
	1,149	(842)	308	–	–	615
	<u>9,357</u>	<u>(44,344)</u>	<u>308</u>	<u>–</u>	<u>36,000</u>	<u>1,321</u>

	Non-cash changes					At 31 March 2020 HK\$'000
	At 1 April 2019 HK\$'000	Net cash flows HK\$'000	Additions to property, plant and equipment HK\$'000	Derecognition of lease liabilities HK\$'000	Declaration of dividends HK\$'000	
Year ended						
31 March 2020						
Due to the Ultimate Controlling Party	706	(532)	–	–	–	174
Interest-bearing borrowings	–	15,100	–	–	–	15,100
Lease liabilities	615	(623)	1,993	(380)	–	1,605
	<u>1,321</u>	<u>13,945</u>	<u>1,993</u>	<u>(380)</u>	<u>–</u>	<u>16,879</u>

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise trade and other receivables, contract assets, bank balances and cash, trade and other payables and amount due to the Ultimate Controlling Party. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the management meet regularly and co-operate closely with key management to identify and evaluate risks and generally adopt conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum as follows:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Company's bank balances and cash and interest-bearing borrowings. The Company's policy is to manage its interest cost using the source of funds with the most favourable terms and better monitor its cash flow by eliminating unnecessary finance costs.

Sensitivity analysis has not been disclosed because the directors consider that any reasonable changes in interest rates would not have a significant impact on the results and equity of the Group for the Track Record Period.

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets recognised on the combined statements of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements. The Group's credit risk is primarily attributable to trade and other receivables, contract assets and bank balances and cash.

Trade receivables and contract assets arising from contracts with customers

The Group trades only with recognised, creditworthy third parties. In order to minimise the credit risk, the management of the Group monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

At 31 March 2017, 2018, 2019 and 2020, the Group had a concentration of credit risk as approximately 39%, 35%, 36% and 52% of the total trade receivables and contract assets was due from the Group's largest trade debtor, respectively, and approximately 92%, 94%, 93% and 97% of the total trade receivables and contract assets was due from the Group's five largest trade debtors, respectively.

The Group's customer base consists of a wide range of customers and the trade receivables and contract assets are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and contract assets and recognises loss allowances based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the expected lives of the trade receivables and contract assets and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the financial assets. There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

The information about the exposure to credit risk for trade receivables and contract assets using a provision matrix is summarised below:

	Average loss rate	Gross carrying amounts <i>HK\$'000</i>	Impairment loss allowance <i>HK\$'000</i>	Credit- impaired
At 31 March 2017				
Trade receivables				
– Less than 30 days past due	0.06%	1,806	(1)	No
– 31 to 60 days past due	0.06%	841	(1)	No
– Past due over 1 year (<i>Note (i)</i>)	98.01%	4,479	(4,390)	Yes
Total trade receivables (<i>Note 14</i>)		7,126	(4,392)	
Contract assets (<i>Note 15</i>)				
	0.06%	79,358	(47)	No
		86,484	(4,439)	
At 31 March 2018				
Trade receivables				
– Less than 30 days past due	0.09%	6,198	(6)	No
– Past due over 90 days but less than 1 year	0.09%	1,245	(1)	No
– Past due over 1 year (<i>Note (i)</i>)	98.01%	4,479	(4,390)	Yes
Total trade receivables (<i>Note 14</i>)		11,922	(4,397)	
Contract assets (<i>Note 15</i>)				
	0.09%	108,550	(96)	No
		120,472	(4,493)	

	Average loss rate	Gross carrying amounts <i>HK\$'000</i>	Impairment loss allowance <i>HK\$'000</i>	Credit- impaired
At 31 March 2019				
Trade receivables				
– Less than 30 days past due	0.07%	10,689	(8)	No
– 61 to 90 days past due	0.07%	550	–*	No
– Past due over 90 days but less than 1 year	0.07%	162	–*	No
– Past due over 1 year (<i>Note (i)</i>)	94.61%	4,640	(4,390)	Yes
Total trade receivables (<i>Note 14</i>)		16,041	(4,398)	
Contract assets (<i>Note 15</i>)	0.07%	119,337	(85)	No
		<u>135,378</u>	<u>(4,483)</u>	

* Represent amounts less than HK\$1,000.

	Average loss rate	Gross carrying amounts <i>HK\$'000</i>	Impairment loss allowance <i>HK\$'000</i>	Credit- impaired
At 31 March 2020				
Trade receivables				
– Not past due	0.79%	16,551	(131)	No
– Less than 30 days past due	0.79%	56,752	(449)	No
– 31 to 60 days past due	0.79%	20,303	(161)	No
– 61 to 90 days past due	0.79%	18,269	(144)	No
– Past due over 90 days but less than 1 year	0.79%	27,308	(216)	No
– Past due over 1 year (<i>Note (i)</i>)	91.48%	4,802	(4,393)	Yes
Total trade receivables (<i>Note 14</i>)		143,985	(5,494)	
Contract assets (<i>Note 15</i>)	0.79%	143,960	(1,138)	No
		<u>287,945</u>	<u>(6,632)</u>	

* Represent amounts less than HK\$1,000.

Note (i): Included credit-impaired (but not purchased or originated) of HK\$4,390,000, HK\$4,390,000, HK\$4,390,000 and HK\$4,390,000 at 31 March 2017, 2018, 2019 and 2020 respectively.

Other financial assets carried at amortised cost

The Company's other financial assets carried at amortised cost include bank balances and cash and other receivables in the combined statements of financial position. The impairment loss of other financial assets carried at amortised cost is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management considered the bank balances and cash and other receivables are determined to have low credit risk as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term.

The majority of the Company's bank balances are deposited in major financial institutions located in Hong Kong, which are of high credit rating. Management does not expect any losses arising from non-performance by these counterparties.

Therefore, the Company has assessed that the expected credit losses for these financial assets carried at amortised cost were insignificant under 12-month expected credit loss method, and therefore no provision was recognised.

There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Liquidity risk

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment. The Group finances its working capital requirements mainly by the funds generated from operations.

The Group's non-derivative financial liabilities at the end of each reporting period based on contractual undiscounted payments are summarised below:

	Total carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Less than 1 year or on demand <i>HK\$'000</i>	1–2 years <i>HK\$'000</i>
At 31 March 2017				
Trade and other payables	11,321	11,321	11,321	–
Amount due to the Ultimate Controlling Party	11,701	11,701	11,701	–
Lease liabilities	440	462	272	190
	<u>23,462</u>	<u>23,484</u>	<u>23,294</u>	<u>190</u>

	Total carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Less than 1 year or on demand <i>HK\$'000</i>	1–2 years <i>HK\$'000</i>
At 31 March 2018				
Trade and other payables	8,193	8,193	8,193	–
Amount due to the Ultimate Controlling Party	8,208	8,208	8,208	–
Lease liabilities	1,149	1,196	781	415
	<u>17,550</u>	<u>17,597</u>	<u>17,182</u>	<u>415</u>
At 31 March 2019				
Trade and other payables	6,584	6,584	6,584	–
Amount due to the Ultimate Controlling Party	706	706	706	–
Lease liabilities	615	630	576	54
	<u>7,905</u>	<u>7,920</u>	<u>7,866</u>	<u>54</u>
At 31 March 2020				
Trade and other payables	80,210	80,210	80,210	–
Interest-bearing borrowings	15,100	15,518	15,518	–
Amount due to the Ultimate Controlling Party	174	174	174	–
Lease liabilities	1,605	1,697	647	1,050
	<u>97,089</u>	<u>97,599</u>	<u>96,549</u>	<u>1,050</u>

The amounts repayable under loan agreement that include a clause that gives the lenders the unconditional right to call the loan at any time are classified under the “on demand” bracket. In this regard, interest-bearing borrowings of HK\$15,100,000 as at 31 March 2020 have been so classified even though the directors do not expect that the lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreement:

	At 31 March 2020 <i>HK\$'000</i>
Interest-bearing borrowings	
Within one year	11,568
In the second year	3,950
	15,518
	15,518

Fair value of financial instruments

In the opinion of management of the Group, the carrying amounts of the financial assets and liabilities of the Group carried at amounts are not materially different from their fair values as at 31 March 2017, 2018, 2019 and 2020.

29. CAPITAL MANAGEMENT

The objectives of the Group’s capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group’s stability and growth. The management consider the total equity as disclosed in the combined statements of financial position as the Group’s capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the Track Record Period.

30. EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the Historical Financial Information, subsequent to 31 March 2020, the Group has the following subsequent events:

- (i) Pursuant to the resolution in writing of the Company's shareholders passed on 7 September 2020, inter-alia, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 shares of par value of HK\$0.01 each by the creation of an additional 3,962,000,000 shares and the Capitalisation Issue (as defined below) was conditionally approved.
- (ii) Pursuant to the resolution in writing of the Company's shareholders passed on 7 September 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 1,199,998,900 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$11,999,989 standing to be credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue).
- (iii) On 8 September 2020, the amount due to the Ultimate Controlling Party was fully settled.
- (iv) In response to the outbreak of COVID-19 since the beginning of 2020, the relevant government authorities have imposed certain quarantine and distancing measures. At the date of this report, the Group does not expect those events or measures have any significant adverse impacts to the financial position as at 31 March 2020 and the application of going concern basis for the preparation of the Historical Financial Information.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2020.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by Mazars CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to equity owners of the Company at 31 March 2020 as if the Share Offer had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to equity owners of the Company at 31 March 2020 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group attributable to equity owners of the Company at 31 March 2020 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this Prospectus.

	Audited combined net tangible assets attributable to equity owners of the Company at 31 March 2020 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.35 per Offer Share	163,731	103,504	267,235	0.17
Based on the Offer Price of HK\$0.44 per Offer Share	163,731	133,024	296,755	0.19

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes to the unaudited pro forma statement of adjusted combined net tangible assets

1. The audited combined net tangible assets of the Group attributable to equity owners of the Company at 31 March 2020 is based on the audited combined net assets attributable to equity owners of the Company at 31 March 2020 of approximately HK\$163,731,000, extracted from the Group's combined financial information included in the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 400,000,000 new Shares and the indicative Offer Price of HK\$0.35 and HK\$0.44 per Offer Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related expenses payable by the Company excluding approximately HK\$20,264,000 listing-related expenses which has been accounted for prior to 31 March 2020. The estimated net proceeds have not taken into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
3. The calculation of the unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity owners of the Company per Share is based on 1,600,000,000 Shares expected to be in issue after the completion of the Capitalisation Issue and the Share Offer. It has not taken into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
4. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2020.

The following is the text of a report received from the independent reporting accountants of the Company, Mazars CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

B. ASSURANCE REPORT FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP



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15 September 2020

The Board of Directors
Skymission Group Holdings Limited
Alliance Capital Partners Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Skymission Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) prepared by the directors of the Company (the “Directors”). The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets attributable to the equity owners of the Company at 31 March 2020 and related notes as set out on pages II-1 and II-2 of Appendix II to the prospectus issued in connection with the initial listing of the Company’s shares in the Main Board of The Stock Exchange of Hong Kong Limited dated 15 September 2020 (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 and II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group’s combined financial position at 31 March 2020 as if the Share Offer had taken place on 31 March 2020. As part of this process, information about the Group’s financial position at 31 March 2020 has been extracted by the Directors from the Group’s combined historical financial information included in the Accountants’ Report as set out in Appendix I to the Prospectus.

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 (the "HKICPA").

Reporting accountants' 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.

We apply Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintain 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 accountants' 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 did 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 report were addressed by us at the date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, 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 purpose 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.

APPENDIX II 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 Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions 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 accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 7 September 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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 ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to 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 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions 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 and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 to their nominal value.

Neither the Company nor the board is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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.

(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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 ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for 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 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 contract or arrangement concerning an offer of shares or 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 contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(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, in the case of such members as 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 in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange. A meeting of members or any class thereof may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence at such meeting.

Extraordinary general meetings may be convened on the requisition of one or more shareholders 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 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 2 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/herself (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.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) 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, but the absence of a quorum shall not preclude the appointment of a chairman.

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.

(vi) 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 is 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 is 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 as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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 shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is 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

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 14 June 2019.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of 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 thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(t) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of 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 to this prospectus. 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**

Our Company was incorporated under the laws of the Cayman Islands on 31 May 2019 as an exempted limited liability company. Our Company's registered office address is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 17 July 2019. Our principal place of business in Hong Kong is at Room 1101, Yuen Long Centre, 55 Sau Fu Street, Yuen Long, New Territories, Hong Kong. Ms. Teh Lai Ching has been appointed as our authorised representative for the acceptance of service of process in Hong Kong. The address for service of process is Room 1101, Yuen Long Centre, 55 Sau Fu Street, Yuen Long, New Territories, Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and our constitution, which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

- (a) As of the date of incorporation of our Company (i.e. 31 May 2019), our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. Upon incorporation, one Share was allotted and issued at par, credited as fully paid, to the initial subscriber and was then transferred at par to Sky Mission on the same date.
- (b) On 7 September 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional of 3,962,000,000 Shares. Each Share shall rank *pari passu* in all respects with all the existing Shares in issue.
- (c) Immediately following completion of the Share Offer (assuming that the Over-allotment Option is not exercised) and the Capitalisation Issue, the authorised share capital of our Company will be HK\$40,000,000 divided into 4,000,000,000 Shares of HK\$0.01 each, of which 1,600,000,000 Shares will be allotted and issued, fully-paid or credited as fully-paid, and 2,400,000,000 Shares will remain unissued (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

- (d) Other than pursuant to the Share Offer, the exercise of the Over-allotment Option and the general mandate to allot and issue Shares as referred to in the paragraph headed “6. Written resolutions of our sole Shareholder passed on 7 September 2020” in this Appendix, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in a general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and in the section headed “History, Reorganisation and corporate structure” in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Changes in the share capital of our subsidiaries

Our subsidiaries are listed in the Accountants’ Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and corporate structure” in this prospectus, there has been no alteration in the share capital of our subsidiaries within the two years preceding the date of this prospectus.

4. Reorganisation

For details of the Reorganisation which was effected in preparation for the Listing, please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus.

5. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement for sale and purchase of shares dated 26 November 2019 entered into between Mr. Leung, as vendor, and Everbright, as purchaser, pursuant to which Mr. Leung transferred 10,000 ordinary shares in, representing all the issued shares of, Temmex to Everbright, at a consideration of HK\$100, which was satisfied by Everbright by way of our Company allotting and issuing 827 Shares, at the direction of Mr. Leung, to Sky Mission;

- (b) an agreement for sale and purchase of shares dated 26 November 2019 entered into between Mr. WC Leung (as nominee and trustee in favour of, and for the sole benefit of Mr. Leung pursuant to the Declaration of Trust), as vendor, and Evergreen, as purchaser, pursuant to which Mr. WC Leung transferred 10,000 ordinary shares in, representing all the issued shares of, Temmex Brothers to Evergreen, at a consideration of HK\$100, which was satisfied by Evergreen by way of our Company allotting and issuing 172 Shares, at the direction of Mr. WC Leung, to Sky Mission;
- (c) an agreement for sale and purchase of shares dated 26 November 2019 entered into between Mr. Leung, as vendor, and Evergrow, as purchaser, pursuant to which Mr. Leung transferred 10,000 ordinary shares in, representing all the issued shares of, Kennex to Evergrow, at a consideration of HK\$100, which was satisfied by Evergrow by way of our Company allotting and issuing 100 Shares, at the direction of Mr. Leung, to Sky Mission;
- (d) the Deed of Indemnity;
- (e) the Hard Underwriting Agreement;
- (f) the Public Offer Underwriting Agreement; and
- (g) the Placing Underwriting Agreement.

6. Written resolutions of our sole Shareholder passed on 7 September 2020

Written resolutions of our sole Shareholder were passed on 7 September 2020, pursuant to which, among others:

- (a) our Company conditionally approved and adopted the Memorandum and Articles of Association, the terms of which are summarised in Appendix III to this prospectus, with effect from the Listing Date;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of HK\$0.01 each by the creation of an additional 3,962,000,000 Shares, ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and Shares to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (ii) our Company having submitted to the HKSCC all requisite documents to enable the Shares to be

admitted to trade on the Stock Exchange; (iii) the execution and delivery of the Underwriting Agreements on the dates as specified in this prospectus; and (iv) 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, in each case on or before such dates as may be specified in the Underwriting Agreements:

- (1) the Share Offer (including the grant of the Over-allotment Option) was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
- (2) the Over-allotment Option was approved and our Directors were authorised to allot and issue the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank *pari passu* with the then existing Shares in all respects;
- (3) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$11,999,989 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par a total of 1,199,998,900 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company on 7 September 2020 in proportion to their then existing shareholdings in our Company ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (d) conditional upon the fulfilment of the conditions stated in the paragraph headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under any share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, not exceeding 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option;

- (e) conditional upon the fulfilment of the conditions stated in the paragraph headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase 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, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and
- (f) the general unconditional mandate as mentioned in sub-paragraph (e) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable laws or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

B. REPURCHASE BY OUR COMPANY OF ITS OWN SECURITIES

This section includes information required by the Stock Exchange to be included in this prospectus concerning the purchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

The Listing Rules provide that all purchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 7 September 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or 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, such number of Shares representing up to 10% of the total number of Shares in issue immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and Capitalisation Issue, and the Repurchase Mandate shall remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable laws or the Articles of Association; or (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(b) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not purchase its own securities 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 from time to time.

Subject to the foregoing, any repurchase by our Company may be made out of profits of our Company, out of our share premium account, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be provided for out of profits of our Company or our share premium account before or at the time our Shares are repurchased. Subject to the Companies Law, a repurchase may also be paid out of capital.

(c) Status of repurchased shares

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Companies Law, unless otherwise resolved by our Directors, Shares repurchased by our Company will be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those Shares. However, the repurchase of Shares shall not be taken as reducing the amount of our Company's authorised share capital.

(d) Connected parties

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "connected person," which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his/her/its securities to our Company.

2. Exercise of the Repurchase Mandate

On the basis of 1,600,000,000 Shares in issue immediately after completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, our Directors would be authorised under the Repurchase Mandate to repurchase up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

3. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on 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.

4. Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, 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.

5. General


- (a) None of our Directors, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company if the Repurchase Mandate is exercised.
- (b) 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, the Articles of Association and the applicable laws and regulations from time to time in force in the Cayman Islands.
- (c) 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. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholder's 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.
- (d) Our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

- (e) 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 core connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademark

As of the Latest Practicable Date, our Group had applied for the following trademark which we believe is material to our business:

Trademark	Place of registration	Applicant	Class	Trademark number	Status	Application date
	Hong Kong	Temtex	37	304964121	Application published, pending registration	19 June 2019

2. Domain names

As of the Latest Practicable Date, our Group had registered and maintained the following domain names which we believe are material to our business:

Domain name	Registered owner	Date of expiration
skymission.group	Temtex	31 October 2020
temtex.com	Temtex	5 December 2020

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS**1. Particulars of Directors' service contracts**

Each of our executive Directors has entered into a service agreement with our Company for an initial fixed term of three years with effect from the Listing Date and will continue thereafter until terminated by not less than one month's written notice to the other party.

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with our Company. Their appointment shall be of an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the appointment letter.

A Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of our Directors regarding the amount of the monthly salary and the discretionary bonus payable to him.

Save as disclosed above, none of our Directors has or is proposed to have any service contract with our Company or any of our subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

2. Remuneration of Directors

- (a) Remuneration and benefits in kind of approximately HK\$4.7 million, HK\$8.3 million, HK\$5.9 million and HK\$4.6 million, in aggregate were paid and granted by our Group to our Directors in respect of FY2017, FY2018, FY2019 and FY2020.
- (b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for FY2021, is expected to be approximately HK\$5.6 million in aggregate.

3. Disclosure of interests

(a) *Interests of the Directors and chief executives of our Company*

So far as our Directors are aware, immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, the interests or short positions of our Directors and our chief executives 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, once our Shares are listed on the Stock Exchange, 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 and short positions 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 referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, will be as follows:

(i) *Long position in the Shares*

Name of Director	Nature of interest	Number of Shares	Percentage of shareholding
Mr. Leung ^{Note}	Interest in controlled corporation	1,200,000,000	75%

Note: These 1,200,000,000 Shares are held by Sky Mission, a company incorporated in the BVI and owned as to 100% by Mr. Leung. Therefore, Mr. Leung is deemed to be interested in all of the Shares held by Sky Mission for the purposes of the SFO.

(ii) *Long position in the shares of associated corporation*

Name of Director	Nature of interest	Name of associated corporation	Number of share	Percentage of shareholding
Mr. Leung	Beneficial owner	Sky Mission	1	100%

(b) Interests of the substantial Shareholders

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any other person who will, immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, have interests or short positions 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 will be, directly or indirectly, interested in 10% of more of the issued shares carrying the rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

4. Related party transactions

Details of the related party transactions are set out under Note 26 to the Accountants’ Report in Appendix I to this prospectus.

5. Disclaimers

- (a) Save as disclosed in the paragraph headed “D. Further information about our Directors, management, staff and substantial Shareholders” in this Appendix, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between our Directors and any member of our Group;
- (b) save as disclosed in the section headed “Relationship with our Controlling Shareholders – Transaction entered into before Listing which would otherwise constitute a connected transaction” in this prospectus and Note 26 to the Accountants’ Report set out in Appendix I to this prospectus, none of our Directors or the experts named in the paragraph headed “E. Other information – 10. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, 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) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this prospectus;

- (d) none of our Directors or the experts named in the paragraph headed “E. Other information – 10. Qualification 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;
- (e) save as disclosed in the section headed “Substantial Shareholders” and in the paragraph headed “D. Further information about our Directors, management, staff and substantial Shareholders” in this Appendix, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares and 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 will be interested, directly or indirectly, in 10% or more of the total number of issued Shares carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) save as disclosed in the paragraph headed “D. Further information about our Directors, management, staff and substantial Shareholders – 3. Disclosure of interests” in this Appendix, none of our Directors or chief executive has any interest or short position in the Shares, underlying Shares or debentures of our Company or its 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 interests and short positions which he is 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 into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed;
- (g) none of the experts referred to in the paragraph headed “E. Other information – 10. Qualification of experts” in this Appendix has any shareholding interests 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
- (h) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the total number of issued Shares has any interest in our Group’s five largest suppliers or the five largest customers.

E. OTHER INFORMATION**1. Litigation**

Save as disclosed in the section headed “Business – Litigation and claims” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

2. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$48,000 and are payable by our Company.

3. Agency fees or commissions

Save as disclosed in section headed “Underwriting – Commission and expenses” in this prospectus, none of our Directors or the experts named in the paragraph headed “E. Other information – 10. Qualifications of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

4. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Share Offer and the exercise of the Over-allotment Option.

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 Sponsor’s fee in relation to the Listing is HK\$7,350,000.

5. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position of our Company or our subsidiaries since 31 March 2020 (being the date on which the latest audited combined financial statements of our Group were made up to) and up to the Latest Practicable Date.

6. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all 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.

7. Registration procedure

The principal share registrar of our Company in the Cayman Islands will be maintained by Conyers Trust Company (Cayman) Limited and a Hong Kong branch registrar and transfer office of our Company will be maintained 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. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

8. Tax and other indemnities

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in sub-paragraph (d) of the paragraph headed “A. Further information of our Company – 5. Summary of the material contracts” in this Appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited consolidated accounts of our Company for the Track Record Period;
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or

- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 31 March 2020 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

9. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) no Share or loan capital of our Company or any of our 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 or agreed to be granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (iii) save as disclosed in the section headed “Underwriting – Commission and expenses” in this prospectus, no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
 - (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (v) no Share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (b) 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 24 months immediately preceding the date of this prospectus;
- (c) none of the parties named in the paragraph headed “E. Other information – 10. Qualifications of experts” in this Appendix:
 - (i) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or

- (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (d) save as disclosed in the section headed “Financial information – Bank borrowings and overdraft facilities” in this prospectus, our Company and our subsidiaries did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (e) our Directors have been advised that, under the laws of the Cayman Islands, the use of a Chinese name registered as a dual foreign name in the Cayman Islands by our Company in conjunction with the English name does not contravene the laws of the Cayman Islands;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Group has no outstanding convertible debt securities;
- (h) the English text in this prospectus shall prevail over the Chinese text; and
- (i) there are no arrangements under which future dividends are waived or agreed to be waived.

10. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Alliance Capital Partners Limited	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Mazars CPA Limited	Certified public accountants
Access Partner Consultancy and Appraisals Limited	Independent property valuer
Ipsos Asia Limited	Industry consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

Name	Qualification
Mr. Poon, Billy C.K.	Counsel, barrister-at-law
Mr. Chan Wai Shing	Independent registered safety auditor
Mazars Tax Services Limited	Tax adviser

11. Consents of experts

Each of the experts listed in the paragraph headed “E. Other information – 10. Qualifications of experts” in this Appendix has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its/his report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its/his name included in the form and context in which it appears.

As of the Latest Practicable Date and save as disclosed in the preceding paragraph, none of the experts named in the paragraph headed “E. Other information – 10. Qualifications of experts” in this Appendix had any shareholding interests 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.

12. Promoter

We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

F. GENERAL

1. Taxation of holder of our Shares

(a) Hong Kong

Dealings in Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasised that none of our Company, our Director or any other parties involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

2. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “E. Other information – 11. Consents of experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “A. Further information about our Company – 5. Summary of the material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad & Bright, 27/F, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum of Association and Articles of Association;
- (b) the Accountants’ Report prepared by the Reporting Accountants, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Company for FY2017, FY2018, FY2019 and FY2020;
- (d) the letter from the Reporting Accountants on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the Companies Law;
- (f) the material contracts referred to in the section headed “A. Further information about our Company – 5. Summary of the material contracts” in Appendix IV to this prospectus;
- (g) the service contracts with our Directors, referred to in the section headed “D. Further information about our Directors, management, staff and substantial Shareholders – 1. Particulars of Directors’ service contracts” in Appendix IV to this prospectus;

- (h) the written consents referred to in the paragraph headed “ E. Other information – 11. Consents of experts” in Appendix IV to this prospectus;
- (i) the legal opinion prepared by our Legal Counsel;
- (j) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser on Cayman Islands law, summarising certain aspects of the company law of the Cayman Islands referred to in Appendix III to this prospectus;
- (k) the Ipsos Report, the summary of which is set forth in the section headed “Industry overview” in this prospectus;
- (l) the reports prepared by our Safety Adviser;
- (m) the tax opinion letter prepared by our Tax Adviser; and
- (n) the rental valuation report prepared by Access Partner Consultancy and Appraisals Limited, an independent property valuer.

Skymission Group Holdings Limited
天任集團控股有限公司