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Application Proof of

Geotech Holdings Ltd.

致浩達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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Geotech Holdings Ltd.

致浩達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
[REDACTED]	**:**	**not more than HK$[REDACTED] per [REDACTED], and not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**[REDACTED]**

Sole Sponsor

[REDACTED]
[REDACTED]

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A copy of this document, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this document, 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 document or any other documents referred to above.

The [REDACTED] is expected to be determined by agreement between our Company (for itself and on behalf of the Selling Shareholder) and the [REDACTED] (for itself and on behalf of the [REDACTED]) on the [REDACTED] or such later date as may be agreed by our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) but in any event no later than [REDACTED]. The [REDACTED] will be not more than HK$[REDACTED] per [REDACTED] and is expected to be not less than HK$[REDACTED] per [REDACTED], unless otherwise announced.

The [REDACTED] may, with our Company's consent, reduce the indicative [REDACTED] range stated in this document and/or the number of [REDACTED] under the [REDACTED] at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of reduction in the indicative [REDACTED] range and/or the number of [REDACTED] will be available at the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.geotech.hk**. 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 [REDACTED]" and "How to apply for [REDACTED]" in this document.

If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company (for itself and on behalf of the Selling Shareholder) on or before [REDACTED], the [REDACTED] 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 document, including risk factors set out in the section headed "Risk factors" in this document. Pursuant to the [REDACTED] Underwriting Agreement, the [REDACTED] has the right in certain circumstances to terminate the obligations of the [REDACTED] at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Further details of such circumstances are set out in the paragraph headed "[REDACTED]" in this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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You should rely only on the information contained in this document 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 document. Any information or representation not contained or made in this document must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the [REDACTED], the [REDACTED], any of the [REDACTED], any of our/their respective directors, affiliates, employees or representatives or any other person or party involved in the [REDACTED].

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SUMMARY AND HIGHLIGHTS

This summary aims at giving you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to invest in our Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" in this document.

OVERVIEW

With over 20 years of experience in civil engineering industry, we are a leading slope works contractor in Hong Kong. We principally undertake slope works as main contractor. To a lesser extent, we also undertake slope works as subcontractor and ground investigation field works for road works contracts and building development projects as main contractor. According to the Ipsos Report, based on our revenue in 2016 of approximately HK$344.8 million, we (i) ranked first among the slope works contractors in Hong Kong; and (ii) accounted for a market share of approximately 21.9% of the Hong Kong slope works industry in 2016. The total revenue of the slope works industry in Hong Kong accounted for approximately 2.3% of the total revenue of the civil engineering industry in Hong Kong in 2016.

Geotech Engineering, our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the categories of "Landslip preventive/remedial works to slopes/retaining walls" (confirmed status), "Site formation" (Group B probationary status) and "Ground investigation field work" (Group I status). We are also registered as specialist contractor in the categories of site formation works and ground investigation field works with the Building Authority.

During the Track Record Period, we had undertaken a total of 191 slope works and ground investigation field works projects, of which 157 projects had been completed. As at 30 April 2017, we had 34 projects in progress with a total outstanding contract sum of approximately HK$364.2 million and such projects are expected to be completed by 2020. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has secured two public slope work projects (with total contract sum of over HK$10 million) with an aggregate total contract sum of approximately HK$111.7 million and such projects are expected to be completed by 2020. Further details of our projects are set out in the section headed "Business – Our projects" in this document.

Our revenue for FY2014, FY2015, FY2016 and 4M2017 was approximately HK$305.3 million, HK$391.4 million, HK$344.8 million and HK$122.8 million respectively, of which approximately 94.4%, 96.2%, 95.3% and 75.2% was derived from undertaking slope works respectively.

CUSTOMERS

Our customers are primarily Government departments including CEDD, Lands Department and Highways Department. We also undertook private sector projects during the Track Record Period, which includes (i) a railway operator, (ii) property owners and developers, and (iii) professional consultants. During the Track Record Period, all of our revenues were derived in Hong Kong, of which approximately 91.1%, 93.5%, 91.7% and 92.5% were derived from public sector projects respectively. Our slope works projects are non-recurring in nature. We secure our projects after a competitive tendering process. Our pricing is determined based on estimated cost plus a mark-up determined on a project-by-project basis.

During the Track Record Period, all of our contracts were obtained through tendering. The following table summarises our overall tender success rate for FY2014, FY2015, FY2016 and 4M2017:

	Year ended 31 December			Four months ended 30 April
	2014	2015	2016	2017
Number of tenders submitted	86	79	79	35
Number of tenders won	20	14	7	2
Tender success rate *(Note)*	23.3%	17.7%	8.9%	5.7%

Note: Tender success rate is calculated by dividing the number of tender contracts awarded during the year/period by the number of tenders submitted for the same period.

For FY2014, FY2015, FY2016 and 4M2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 70.1%, 77.3%, 69.5% and 47.6% respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 86.2%, 89.5%, 85.8% and 83.4% respectively. Among our five largest customers during the Track Record Period, we have been providing services to them for a period ranging from two years to 11 years. Our Directors consider that our customer base is relatively concentrated to Government departments and statutory bodies. As a result, the potential customer base of our Group is limited. Please refer to the section headed "Business – Customers – Customer concentration" of this document for further details.

SUPPLIERS

During the Track Record Period, our suppliers include subcontractors and suppliers of construction materials. For FY2014, FY2015, FY2016 and 4M2017, the percentage of our purchases from our largest supplier amounted to approximately 20.3%, 21.4%, 15.2% and 23.2% of our total purchases respectively, while the percentage of our total purchases from our five largest suppliers combined amounted to approximately 57.7%, 49.8%, 51.2% and 46.8% of our total purchases respectively.

We generally engage subcontractors or order the relevant construction materials on a project-by-project basis and do not enter into any long-term agreements with our suppliers. Among our five largest suppliers (in terms of total purchases) during the Track Record Period, we have developed business relationship with them for a period ranging from two years to ten years.

COMPETITIVE LANDSCAPE

The slope works industry in Hong Kong is fairly consolidated with the top five slope works contractors accounted for approximately 59.2% of the total revenue in the slope works industry in Hong Kong in 2016. As at 30 April 2017, there were 38 approved contractors included in the List of Approved Specialist Contractors for Public Works under the category of "Landslip preventive/remedial works to slopes/retaining walls", of which 13 were on probation and 25 (including our Group) had a confirmed status. According to the Ipsos Report, in 2016, our Group accounted for approximately 21.9% (or approximately HK$344.8 million) of the total revenue in the slope works industry in Hong Kong and ranked first among the slope works contractors in Hong Kong. The total revenue of the slope works industry in Hong Kong accounted for approximately 2.3% of the total revenue of the civil engineering industry in Hong Kong in 2016.

Our Group is subject to the Competition Ordinance generally and we have adopted certain measures to ensure compliance with such ordinance. For further details, please refer to the section headed "Business – Internal control" of this document.

LICENCES AND QUALIFICATIONS

The following table sets out our major licences and qualifications required to undertake public sector projects:

Relevant Government departments or public organisations	Holder	Registration and qualification	Category	Date of first registration	Authorised contract value
WBDB	Geotech Engineering	List of Approved Contractors for Public Works	Landslip preventive/ remedial works to slopes/ retaining walls (confirmed status) *(Notes 1(a) and 1(b))*	11 November 1998	N/A
WBDB	Geotech Engineering	List of Approved Contractors for Public Works	Ground investigation field work (Group I) *(Note 2)*	4 October 2011	up to HK$2.3 million

Notes:

1. (a) The permitted scope of business in this category covers landslip preventive works, remedial works or formation works of slopes and/or retaining walls in areas immediately behind occupied structures, adjacent to railway lines or major trunk roads. To maintain such licence and qualification, we are required to maintain a minimum employed capital of HK$8,600,000 and a minimum working capital of either HK$8,600,000 if no outstanding contracts. If there are outstanding contracts, the minimum working capital may vary based on the conditions of the contractor such as its employed or working capital and whether it is Group C contractor on the Approved Public Works Contractors List. For a contractor that has both employed and working capital not less than HK$4.2 million respectively such as our Group, such minimum working capital is the higher of HK$8,600,000, or 10%, of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors.

(b) To maintain our licence and qualification in the category of "Landslip preventive/Remedial works to slopes/ Retaining walls", we must be registered in the list of "Registered Specialist Contractor" for the sub-register of "Site Formation Works" category of the Buildings Department. For details of other minimum technical and management criteria, please refer to the section headed "Regulatory overview – Contractor licensing regime" in this document.

2. The permitted scope of business in this category covers ground investigation field work for Government projects. To maintain such licence and qualification, we are required to maintain a minimum employed capital of HK$570,000 and a minimum working capital of HK$570,000. Please also refer to the section headed "Regulatory overview – Contractor licensing regime" in this document for other minimum technical and management criteria to maintain such licence and qualification.

Please also refer to the section headed "Business – Licences and permits" of this document for further details.

COMPETITIVE STRENGTHS

We believe our leading market position in the slope works industry in Hong Kong, stable relationship with our customers and suppliers as well as our management team and design capability contribute to our success and differentiate us from our competitors. Please refer to the section headed "Business – Competitive strengths" of this document for further details.

BUSINESS STRATEGIES

Our principal business objective is to further solidify our market position as the market leader in the slope works industry in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objective by adherence to prudence working capital management, strengthening our manpower and upgrading our site equipment and facilities and enhancing our operational efficiency and quality of service, details of which are set out in the section headed "Business – Business strategies" of this document.

SUMMARY OF KEY OPERATIONAL AND FINANCIAL INFORMATION

Summary of combined statements of profit or loss and other comprehensive income

The following sets out selected items of our combined statements of profit or loss and other comprehensive income for the Track Record Period (with comparative information for the four months ended 30 April 2016) which are extracted from the Accountants' Report set out in Appendix I to this document:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	305,262	391,427	344,766	118,205	122,846
Gross profit	42,133	60,419	49,556	23,353	14,034
Profit before income tax	31,023	42,919	26,505	17,797	8,695
Profit for the year/ period	25,945	35,403	20,404	14,712	6,724
Profit for the year/ period excluding Listing expenses	25,945	38,591	29,028	15,815	7,656

During the Track Record Period, our revenue amounted to approximately HK$305.3 million, HK$391.4 million, HK$344.8 million and HK$122.8 million respectively, of which (i) slope works accounted for the largest portion of our Group's total revenue which amounted to approximately 94.4%, 96.2%, 95.3% and 75.2% of our total revenue respectively; (ii) public sector projects or projects originated from Government departments or statutory bodies amounted to approximately 91.1%, 93.5%, 91.7% and 92.5% of our total revenue respectively; and (iii) projects where we acted as the main contractor amounted to approximately 93.6%, 96.0%, 94.2% and 70.2% of our total revenue respectively, for FY2014, FY2015 and FY2016 and 4M2017.

During the Track Record Period, our subcontracting charges was the most significant component of our direct costs and amounted to approximately HK$205.3 million, HK$263.8 million, HK$226.6 million and HK$90.7 million respectively, representing approximately 78.0%, 79.7%, 76.7% and

83.4% to our total direct costs for FY2014, FY2015 and FY2016 and 4M2017 respectively. During the Track Record Period, our direct labour costs amounted to approximately HK$24.5 million, HK$28.7 million, HK$33.4 million and HK$8.5 million respectively, representing approximately 9.3%, 8.7%, 11.3% and 7.8% to our total direct costs respectively.

During the Track Record Period, our gross profit margin was approximately 13.8%, 15.4%, 14.4% and 11.4% respectively, and accordingly, our gross profit was approximately HK$42.1 million, HK$60.4 million, HK$49.6 million and HK$14.0 million respectively. During the Track Record Period, our net profit margin was approximately 8.5%, 9.0%, 5.9% and 5.5% respectively, and accordingly, our net profit was approximately HK$25.9 million, HK$35.4 million, HK$20.4 million and HK$6.7 million respectively. The changes were mainly due to (i) different mix of projects of different natures, situations and stages in each year/period; and (ii) different proportions of projects performed by subcontractors in each year/period.

For details of the analysis in our financial results, please refer to the sections headed "Financial information – Principal components of results of operations" and "Financial information – Period-to-period comparison of results of operations" of this document.

Revenue

The following table sets out a breakdown of our revenue by public and private sector projects during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Public sector projects	277,997	91.1	366,125	93.5	316,121	91.7	110,088	93.1	113,671	92.5
Private sector projects	27,265	8.9	25,302	6.5	28,645	8.3	8,117	6.9	9,175	7.5
	305,262	100.0	391,427	100.0	344,766	100.0	118,205	100.0	122,846	100.0

Gross profit and gross profit margin

The following table sets out a breakdown of our gross profit and gross profit margin by public and private sector projects during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	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* (unaudited)	Gross profit margin *%*	Gross profit *HK$'000*	Gross profit margin *%*
Public sector projects	39,922	14.4	57,741	15.8	46,261	14.6	22,477	20.4	12,272	10.8
Private sector projects	2,211	8.1	2,678	10.6	3,295	11.5	876	10.8	1,762	19.2
	42,133	13.8	60,419	15.4	49,556	14.4	23,353	19.8	14,034	11.4

Summary of combined statements of financial position

The following sets out the principal components of our assets and liabilities as at 31 December 2014, 2015, 2016 and 30 April 2017:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	117,976	168,180	162,530	128,286
Current liabilities	(72,657)	(87,705)	(56,944)	(45,572)
Net current assets	45,319	80,475	105,586	82,714
Non-current assets	15,790	11,535	6,388	6,164
Non-current liabilities	(2,210)	(951)	(519)	(631)
Total assets	133,766	179,715	168,918	134,450
Net assets	58,899	91,059	111,455	88,247

Key combined statements of cash flows

The following sets out selected items of our key combined statements of cash flows for the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	
Net cash generated from operating activities	16,796	27,404	21,297	19,071	10,502
Net cash (used in)/generated from investing activities	(6,907)	(173)	402	(304)	(646)
Net cash (used in)/generated from financing activities	1,748	(7,307)	(10,596)	(21,159)	(27,009)
Cash and cash equivalents at end of year/period	22,384	42,308	53,411	39,916	36,258

Summary of key financial ratios

The following table sets out our summary of key financial ratios for the Track Record Period:

	As at/For the year ended 31 December			As at/For the four months ended 30 April
	2014	2015	2016	2017
Gross profit margin *(Note 1)*	13.8%	15.4%	14.4%	11.4%
Net profit margin *(Note 2)*	8.5%	9.0%	5.9%	5.5%
Return on total assets *(Notes 3 and 7)*	19.4%	19.7%	12.1%	15.0%
Return on equity *(Notes 4 and 7)*	44.0%	38.9%	18.3%	22.9%
Current ratio *(Note 5)*	1.6 times	1.9 times	2.9 times	2.8 times
Gearing ratio *(Note 6)*	41.0%	24.7%	15.0%	16.4%

Notes:

1. Gross profit margin is calculated by the gross profit for each reporting period divided by the revenue for each reporting period and multiplied by 100%.

2. Net profit margin is calculated by the profit for each reporting period divided by the revenue for each reporting period and multiplied by 100%.

3. Return on total assets is calculated by the profit for each reporting period divided by the total assets as at the end of each reporting period and multiplied by 100%.

4. Return on equity is calculated by the profit for each reporting period divided by the total equity as at the end of each reporting period and multiplied by 100%.

5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.

6. Gearing ratio is calculated based on the total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings include bank borrowings, amounts due to Directors, amounts due to related companies and obligation under finance leases.

7. Four months data multiplied by three so as to be comparable with annual data.

For details of the financial information, please refer to the section headed "Financial information" of this document.

THE TAX INCIDENT

According to our Group Companies' Original Statutory Financial Statements for or before FY2014 (for Geotech Engineering and GeoResources) or 31 March 2015 (for Richway and Yau Wing), the recognition of contract revenue was based on the proportion of contract costs incurred to date (i.e. method (1) of HKAS 11 was adopted) while the recognition of contract costs was based on the actual costs incurred. Certifications of our Group's works issued by the customers (or the customer's agents) were not taken into account.

Subsequently, our Group's New FC, who realised that it would be more reliable to recognise our Group Companies' revenue and costs by adopting method (2) of HKAS 11, i.e. based on the stage of completion of the contract activity certified by our Group's customer (or the customers' agents). During the course of the projects, actual contract margin may deviate from the original contract margin (budgeted at the beginning of the contract) mainly caused by the following Subsequent Contract Events which resulted in overall higher actual contract margin: (i) additional payment from customers due to project complexity (e.g. site with access difficulties); and (ii) approval of design of flexible barriers system resulted in lower project costs. As such, our Group Companies' Original Statutory Financial Statements for FY2015 (for Geotech Engineering and GeoResources) or for the year ended 31 March 2016 (for Richway and Yau Wing) and onwards recorded higher contract margin as compared to that for the previous financial years.

Subsequently, our Company engaged the Tax Consultant 2017 for the purpose of, among others, assisting our Group Companies to submit the Revised Tax Computations and the Revised Statutory Financial Statements to the IRD on a voluntary basis for the years of assessment 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16 (where applicable). After the submission of the Revised Tax Computations, the IRD has issued the revised assessments to our Group Companies. For those years of assessment that our Group Companies are required to pay additional tax, our Group has settled all outstanding tax with the IRD accordingly.

Meanwhile, our Company has provided the Revised Statutory Financial Statements and the Revised Tax Computations to the Reporting Accountants. The Reporting Accountants are of the view that no material differences in profit and loss were noted between the CUFS and the Revised Statutory Financial Statements.

For the details of the income tax payables, please refer to the section headed "Financial information – Analysis of various items from the combined statements of financial position – Income tax payable" of this document.

DETERIORATING FINANCIAL PERFORMANCE

We recorded a revenue of approximately HK$305.3 million, HK$391.4 million, HK$344.8 million and HK$122.8 million for FY2014, FY2015, FY2016 and 4M2017 respectively. Our Group's revenue decreased from approximately HK$391.4 million for FY2015 to approximately HK$344.8 million for FY2016, representing a decrease of approximately 11.9% or HK$46.6 million. Such decrease was mainly attributable to the substantial completion of two public slope work projects in mid-2016, of which approximately HK$68.8 million revenue was recognised in FY2015, while only approximately HK$19.0 million revenue was recognised in FY2016.

Our gross profit decreased from approximately HK$60.4 million for FY2015 to approximately HK$49.6 million for FY2016, which was in line with the decrease of revenue from FY2015 to FY2016. Furthermore, our gross profit decreased from approximately HK$23.4 million for 4M2016 to approximately HK$14.0 million for 4M2017, and our gross profit margin decreased from

approximately 19.8% for FY2016 to approximately 11.4% for FY2017, representing a decrease of approximately 8.4% for the same period. Such decrease was mainly contributed by the fact that a substantial part of our ongoing projects for 4M2017 is subcontracted. For 4M2017, the subcontracting revenue comprises of approximately 53.9% of our Group's total revenue (the projects were mainly making gross profit margin ranging from approximately 1.5% to 8.0%). For 4M2016, the subcontracting revenue comprises of approximately 32.3% of our Group's total revenue (the projects were mainly making gross profit margin ranging from approximately 2.3% to 8.1%).

As a result of the reasons as disclosed in the section headed "Financial information – Period-to-period comparison of results of operations" in this document, our Group's net profit (excluding Listing expenses) was approximately HK$29.0 million for FY2016, representing a decrease of approximately HK$9.6 million or 24.9% as compared to FY2015. Also, our net profit (excluding Listing expenses) decreased from approximately HK$15.8 million for 4M2016 to approximately HK$7.7 million for 4M2017, representing a decrease of approximately HK$8.1 million or 51.3% as compared to the corresponding period in 4M2016.

Despite our deteriorating financial performance as described above, our Directors consider that our Group's sustainability of business is not expected to be affected negatively in the long run for the following reasons:

(i) According to the CEDD, in the second half of 2016 (July to December), two tenders were expected but zero tenders were awarded. In the first half of 2017, the situation was improved as eight tenders forecasted for invitation were released and three tenders have been awarded so far. One of the projects was awarded to our Group in January 2017 with a contract sum of approximately HK$94.0 million. In addition, another three tenders out of the eight tenders forecasted for invitation this year are currently active for tender up to the Latest Practicable Date, which are expected to commence soon. Amid an increasing volume of available projects in the public sector, this recovery is expected to continue in 2018 and onwards.

(ii) According to the Ipsos Report, the gross values of slope works in Hong Kong is expected to grow from approximately HK$1,312 million in 2017 to approximately HK$1,610 million in 2021, which represents a CAGR of approximately 5.3%. Such increase is anticipated to be caused by increasing demand for residential properties and large scale infrastructure projects such as the extension of mass transit railway lines, new roadways, and the development of Wan Chai and New Territories areas.

(iii) Our Directors believe we will be able to capture the expected market opportunities as mentioned above due to its market leading position. Our Group is expected to remain competitive in the market as it has continuously been rated positively by the customers in the public sector as evidenced by the following:–

- We were the winner of the Best LPM (Landslip Prevention and Mitigation) Contractor Competition 2015 and 2016 awarded by CEDD on 22 February 2016 and 20 February 2017 respectively.

- We have achieved maximum rating under the category of "Landslip preventive/ remedial works to slopes/retaining walls" as appraised by the Development Bureau among all contractors being rated consecutively between the third quarter of 2015 to the first quarter of 2017. For details in relation to our performance ratings, please refer to the section headed "Business – Awards, recognitions and performance ratings" – Our performance ratings under the Contractors' Performance Index System" in this document.

[REDACTED] STATISTICS

The [REDACTED] comprises the [REDACTED] of [REDACTED] Shares initially offered in Hong Kong and the [REDACTED] of [REDACTED] Shares comprising [REDACTED] new Shares and [REDACTED] Sale Shares (subject, in each case, to the [REDACTED] and reallocation on the basis as described in the section headed "Structure and conditions of the [REDACTED]" in this document).

	Based on minimum indicative [REDACTED] of HK$[REDACTED]	Based on maximum indicative [REDACTED] of HK$[REDACTED]
Market capitalisation of our Shares *(Note 1)*	HK$[REDACTED] million	HK$[REDACTED] million
Unaudited pro forma adjusted net tangible asset value per Share *(Note 2)*	HK$[REDACTED]	HK$[REDACTED]

Notes:

1. The calculation of market capitalisation is based on the [REDACTED] Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the [REDACTED].

2. The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after adjustments referred to in the paragraph headed "Unaudited pro forma financial information – A. Unaudited pro forma statement of adjusted net tangible assets" in Appendix II to this document and on the basis of [REDACTED] Shares in issue at the [REDACTED] immediately upon completion of the [REDACTED].

LISTING EXPENSES

Assuming the [REDACTED] is not exercised, our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$[REDACTED] million based on an [REDACTED] of HK$[REDACTED] (being the mid-point of the [REDACTED] range stated in this document) of which:

(i) approximately HK$[REDACTED] million will be borne by the Selling Shareholder in connection with the Sale Shares setting off against Listing expenses of our Company;

(ii) approximately HK$[REDACTED] million will be accounted for as a deduction from equity upon Listing in connection with the issue of [REDACTED]; and

(iii) approximately HK$[REDACTED] million has been/will be charged to our profit or loss comprises (a) approximately HK$[REDACTED] million for FY2015; (b) approximately HK$[REDACTED] million for FY2016; (c) approximately HK$[REDACTED] million for 4M2017; and (d) the remaining amount (approximately HK$[REDACTED] million) of the Listing expenses will be charged to the profit or loss for the remaining months of 2017.

Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for the year ending 31 December 2017 will be affected by the estimated expenses in relation to the Listing.

RECENT DEVELOPMENTS

We have continued to focus on strengthening our market position and business operations in the slope works industry in Hong Kong. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has secured two public slope works projects (with total contract sum of over HK$10.0 million) with an aggregate total contract sum of approximately HK$111.7 million and such projects are expected to be completed by 2020. As at 31 May 2017, our Group's total outstanding contract sum on hand is expected in total of approximately HK$340.6 million, of which the respective revenue to be recognised for the years ending 31 December 2017, 2018, 2019 and 2020 is expected to be approximately HK$170.0 million, HK$118.3 million, HK$46.7 million and HK$5.6 million respectively.

Our Group's unaudited financial information for the one month ended 31 May 2016 and 2017 prepared in accordance with HKAS 34 "Interim Financial Reporting" was reviewed by our Reporting Accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

According to the unaudited financial information of our Group, our unaudited revenue amounted to approximately HK$25.6 million for the one month ended 31 May 2017, representing a decrease of approximately 16.6% compared to approximately HK$30.7 million for the average monthly revenue for 4M2017, which was mainly due to the absence of revenue from certain projects. Our Group's gross profit margin increased from approximately 11.4% for 4M2017 to approximately 15.0% for the one month ended 31 May 2017, which was mainly contributed by the fact that a substantial part of our projects was subcontracted during 4M2017.

Subsequent to the Track Record Period and up to the date of this document, save for expenses incurred in relation to the Listing as disclosed in the section headed "Financial information – Listing expenses" in this document, we did not have any significant non-recurrent items in our combined statement of profit or loss and other comprehensive income. Our Directors expect that our Group's financial performance for the year ending 31 December 2017 will be materially and adversely affected by the Listing expenses that our Group is expected to record a decrease in profit for the year ending 31 December 2017.

REASONS FOR THE LISTING, FUTURE PLANS AND USE OF PROCEEDS

To tender for Government contracts as main contractor, we are required to maintain a high level of working capital and additional working capital for undertaking more contracts concurrently. However, our Directors consider that our current cash and bank balances of approximately HK$36.2 million as at 30 April 2017 may only be sufficient to support our Group's existing operations given our expected cash outflow as at 30 April 2017 relating to our trade and other payables as at 30 April 2017 of approximately HK$30.0 million to be settled within 60 days. As at 30 April 2017, our Directors expect that, taking into consideration of our existing level of working capital, our Group may undertake new contracts with contract sum of approximately HK$207.0 million for the next 12 months under the working capital requirement for tender. As such, extra working capital is required in order to tender over HK$207.0 million of additional Government contracts. Taking into account of the additional working capital to be financed by the net proceeds from the [REDACTED] of approximately HK$381.0 million, for illustration purpose, our Directors expect that our Group may undertake additional new tender contracts with contract sum of approximately HK$[REDACTED] million for the next 12 months under the working capital requirement for tender as at 30 April 2017.

We estimate that the aggregate net proceeds from the [REDACTED], after deducting related underwriting fees and estimated expenses in connection with the [REDACTED], assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]), will be approximately HK$[REDACTED] million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK$[REDACTED] million or approximately [REDACTED]% of the net proceeds will be used for financing various working capital requirements associated with undertaking more new tender contracts in both public and private sectors that we plan to tender by 31 December 2018;
- approximately HK$[REDACTED] million or approximately [REDACTED]% of the net proceeds will be used for upgrade of our site equipment and facilities for undertaking additional projects that we aim to secure by 31 December 2018; and
- approximately HK$[REDACTED] million or approximately [REDACTED]% of the net proceeds will be allocated for the recruitment for new projects we plan to tender by 31 December 2019.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the [REDACTED], which is estimated to be approximately HK$[REDACTED] million after deducting the estimated underwriting commissions and expenses payable by it and assuming an [REDACTED] of HK$[REDACTED] (being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]).

For further details on the reasons for our Listing and our future plans and use of proceeds, please refer to the section headed "Future plans and use of proceeds" of this document.

NO MATERIAL ADVERSE CHANGE

Save for (i) the possible impacts of claims and potential claims as disclosed in the section headed "Business – Litigation and potential claims" in this document; and (ii) the Listing expenses recognised/to be recognised for FY2014, FY2015, FY2016 and 4M2017, our Directors confirm that (a) there has been no material adverse change in the general economic and market condition, legal, industry and operating environment in which our Group operates that materially and adversely affected our Group's financial or operating position or prospects since 30 April 2017, being the date to which the latest financial information of our Group was made up and recorded in the Accountants' Report set out in Appendix I to this document, and up to the date of this document, and (b) no event

has occurred since 30 April 2017 that would materially and adversely affect the information shown in the Accountants' Report as set out in Appendix I to this document. Please refer to the section headed "Financial information – No material adverse change" in this document for further details.

DIVIDENDS

For FY2014, FY2015, FY2016 and 4M2017, we declared dividends at HK$2.5 million, HK$3.2 million, nil and HK$30.0 million respectively to our then shareholders. Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law and our Articles. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. Our Board will consider the relevant factors when determining the dividends to be declared if any. 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 our Board or at all. The 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 our Board in the future. Please refer to the paragraph headed "Financial information – Dividends" of this document for further details.

OUR CONTROLLING SHAREHOLDERS

By virtue of the Concert Party Deed, immediately following completion of the [REDACTED] and the Capitalisation Issue, (taking no account of any Shares which may be issued upon exercise of the [REDACTED] and any options as may be granted under the Share Option Scheme), each of Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink will control a total of [REDACTED]% of the issued share capital of our Company. Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink are regarded as a group of Controlling Shareholders. Flourish Team and Double Wink are investment holding companies incorporated in the BVI and has not commenced any substantive business activities as at the Latest Practicable Date. Mr. Yau is the chairman of the Board and an executive Director, Mr. Cheung is the vice chairman of the Board and an executive Director, Mr. Kung is our chief executive officer and an executive Director and Ms. Tang is an executive Director. Please refer to the section headed "Directors and senior management" of this document for the biographical information of Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group had been and is involved in a number of claims, litigations and arbitrations. The details of which are set out under the paragraph headed "Business – Litigation and potential claims" of this document.

RISK FACTORS

There are certain risks involved in our operations which are beyond our control. They can be broadly categorised into risks relating to our business and risks relating to our industry. For instance, (i) we rely on the availability of public sector slope works projects in Hong Kong and any failure of our Group to secure public sector projects would adversely affect our operations and financial results; (ii) any reduction or significant delay in the level of spending on construction projects by the Government or discontinuation of favourable Government programme such as the Landslip Prevention and Mitigation Programme may affect our business and operation result; (iii) our revenue is mainly derived from projects which are non-recurring in nature and any failure of our Group to secure tender contracts would affect our operations and financial results; (iv) unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operations and profitability; and (v) our performance depends on market conditions and trends in the slope works industry and any deterioration in the prevailing market conditions in the slope works industry may adversely affect our performance and financial conditions. Potential investors are advised to read the section headed "Risk factors" of this document carefully before making any investment decision in the [REDACTED].

In this document, unless the context otherwise requires, the following expressions have the following meanings.

"affiliate(s)"	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
"Accountants' Report"	the accountants' report of our Group for the Track Record Period prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix I to this document
"Accounting Differences"	the difference between the Original Statutory Financial Statements and the CUFS of the Group Companies
[REDACTED]	
"Architectural Services Department"	the Architectural Services Department of the Government
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company adopted on [●] 2017, a summary of which is set out in Appendix III to this document, and as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Building Authority"	the Director of Buildings as defined in the Buildings Ordinance
"Building Management Ordinance"	the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
"Buildings Department" or "BD"	the Buildings Department of the Government
"Buildings Ordinance"	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or modified from time to time

"Business Day(s)" or "business day(s)"	any day (other than Saturday or Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate
"Capitalisation Issue"	the allotment and issue of [REDACTED] 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 – 3. Written resolutions of all Shareholders passed on [●]" in Appendix IV to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CEDD"	Civil Engineering and Development Department of the Government
"Census and Statistics Department"	the Census and Statistics Department of the Government
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, modified and supplemented from time to time

"Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice"	Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) as amended, supplemented and modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
"Company" or "our Company"	Geotech Holdings Ltd.（致浩達控股有限公司), formerly known as Geotech Holdings Ltd.（土力資源控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 June 2016
"Competition Ordinance"	Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Construction Industry Council"	the Construction Industry Council, a statutory body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and in the case of our Company, refer to Flourish Team, Double Wink, Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang, particular of which are set out in the section headed "Substantial shareholders" in this document
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CUFS"	the unaudited company level underlying financial statements
"Deed of Indemnity"	a deed of indemnity dated [●] 2017 and signed by our Controlling Shareholders in favour of our Company (on its own behalf and as trustee for each member of our Group), particular of which are set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this document

"Deed of Non-competition"	a non-competition deed entered into on [●] 2017 and signed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed "Relationship with the Controlling Shareholders" in this document
"Development Bureau"	the Development Bureau of the Government
"Director(s)"	the director(s) of our Company
"District Court Ordinance"	District Court Ordinance (Chapter 336 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Double Wink"	Double Wink Limited, a company incorporated in the BVI with liability limited by shares on 12 January 2016, one of our Controlling Shareholders and which is wholly-owned by Ms. Tang
"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
"Employment Ordinance"	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Environmental Protection Department"	the Environmental Protection Department of 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
"Flourish Team"	Flourish Team Limited, a company incorporated in the BVI with liability limited by shares on 10 December 2015, one of our Controlling Shareholders and which is owned as to 48.98% by Mr. Yau, 48.98% by Mr. Cheung and 2.04% by Mr. Kung
"FY2012"	the financial year ended 31 December 2012
"FY2013"	the financial year ended 31 December 2013
"FY2014"	the financial year ended 31 December 2014

"FY2015"	the financial year ended 31 December 2015
"FY2016"	the financial year ended 31 December 2016
"GAAP"	generally accepted accounting principles
"Gazette"	the official publication of the Government for, among other things, statutory notices for public tenders
"GDP"	gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
"GeoResources"	GeoResources Limited, a company incorporated in Hong Kong on 25 October 2005 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Geotech Engineering"	Geotech Engineering Limited (土力資源有限公司), a company incorporated in Hong Kong on 19 July 1994 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Government" or "Hong Kong Government"	the government of Hong Kong
[REDACTED]	
"Group" or "our Group" or "we" or "our" 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 and the businesses operated by such subsidiaries
"Group Companies"	Geotech Engineering, GeoResources, Richway, Yau Wing and U-Win, being the indirect wholly-owned subsidiaries of our Company upon completion of the Reorganisation
"Highways Department"	Highways Department of the Government
"HKAS"	Hong Kong Accounting Standard

"HK dollar(s)" or "Hong Kong dollar(s)" or "HK$" and "cent(s)"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
[REDACTED]	
[REDACTED]	
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	[REDACTED], the branch share registrar and transfer office of our Company in Hong Kong
"Hong Kong Construction Association"	Hong Kong Construction Association Limited, a voluntary association of construction companies in Hong Kong and was incorporated in 1930 with the goal of improving the operation of the construction industry in Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"independent third party(ies)"	an individual(s) or a company(ies) who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the Listing Rules) our Company and its connected persons
"Ipsos"	Ipsos Limited, an industry research consultant and is an independent third party
"Ipsos Report"	the industry research report commissioned by us and prepared by Ipsos on the slope works industry in Hong Kong in which our Group operates

"IRD"	Inland Revenue Department of Hong Kong
"IRO"	Inland Revenue Ordinance
"Labour Department"	Labour Department of the Government
"Lands Department"	Lands Department of the Government
"Latest Practicable Date"	7 July 2017, being the Latest Practicable Date prior to the printing of this document for the purpose of ascertaining certain information in this document
"Legal Counsel"	Mr. Chan Chung, barrister-at-law in Hong Kong, who is an independent third party, being our legal counsel in respect of certain aspects of Hong Kong laws and regulations applicable to our Group
[REDACTED]	
"Listing Committee"	the listing committee of the Stock Exchange
[REDACTED]	
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the Main Board of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on [●] 2017 a summary of which is set out in Appendix III to this document, and as amended from time to time
"MGE JV"	MGE JV Limited, formerly known as Perfect Winning Engineering Limited, a company incorporated in Hong Kong with limited liability on 10 March 2010 and was owned as to 33.33% by GeoResources with the remaining interest owned by two independent third parties but has since been deregistered pursuant to section 751 of the Companies Ordinance with effect from 15 September 2016
"MPF scheme"	mandatory provident fund scheme

"Mr. Cheung"	Mr. Cheung Ting Kam (張定錦先生), an executive Director, our vice chairman of the Board and one of our Controlling Shareholders
"Mr. Kung"	Mr. Kung Ho Man (龔浩文先生), an executive Director, our chief executive officer and one of our Controlling Shareholders
"Mr. Yau"	Mr. Yau Kin Wing Sino (邱建榮先生), an executive Director, our chairman of the Board and one of our Controlling Shareholders
"Ms. Tang"	Ms. Tang Ka Wa Danise (鄧嘉華女士), an executive Director and one of our Controlling Shareholders
"New FC"	Mr. Ip Ying Hang (葉映恒先生), the new financial controller of our Company
[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	

[REDACTED]	
[REDACTED]	
[REDACTED]	
"Praise Marble"	Praise Marble Limited, a company incorporated in the BVI with liability limited by shares on 12 January 2016 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
"PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
[REDACTED]	
[REDACTED]	

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are summarised in the section headed "History and development – Reorganisation" in this document
"Reporting Accountants"	Grant Thornton Hong Kong Limited, the reporting accountants to prepare the Accountants' Report
"Revised Statutory Financial Statements"	the revised statutory financial statements with prior year adjustments
"Revised Tax Computations"	the tax computations based on the Revised Statutory Financial Statements
"Richway"	Richway Construction Engineering Limited (富利建築工程有限公司), a company incorporated in Hong Kong on 10 May 2010 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

"RHB Capital" or "Sole Sponsor"	RHB Capital Hong Kong Limited, a licensed corporation permitted to carry out 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 in respect of the Listing
[REDACTED]	
"Selling Shareholder"	Flourish Team Limited
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal or par value of HK$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on the Main Board
[REDACTED]	
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [●] 2017, the principal terms of which are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to this document
"Shareholder(s)"	holder(s) of the Share(s)
"Shun Hip"	Ship Hip Engineering Limited（信協工程有限公司), (a company incorporated in Hong Kong on 29 November 2010 in which Mr. Yau was previously interested as detailed in the section headed "Relationship with the Controlling Shareholders – Excluded business" in this document
[REDACTED]	
[REDACTED]	

"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between the Controlling Shareholders and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to [REDACTED] Shares to cover any over-allocations in the [REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsequent Contract Events"	the additional payment from customers due to project complexity and approval of design of flexible barriers system resulted in lower project costs
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules and details of our substantial shareholders are set out in the section headed "Substantial Shareholders" in this document
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"Tax Consultant"	Global Vision CPA Limited, a certified public accountants in Hong Kong, and is an independent third party
"Tax Consultant 2017"	a tax adviser of international repute and is an independent third party
"Tax Opinion"	the tax opinion of our Group prepared by Tax Consultant
"Track Record Period"	comprises the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017 (with comparative information for the four months ended 30 April 2016)
"Underlying Financial Statements"	the unaudited group level combined financial statements
[REDACTED]	
[REDACTED]	

"United States" or "U.S."	United States of America
"U.S. Securities Act"	the United States Securities Act of 1993 (as amended from time to time)
"US$" or "U.S. dollar(s)" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U-Win"	U-Win Const & Eng Co (有榮建築工程公司), a sole proprietorship established by Mr. Yau in January 1988 and as part of the Reorganisation, Mr. Yau sold U-Win's business to us as detailed in the section headed "History and development – Our major operating subsidiaries – U-Win" in this document
"U-Win C&E"	U-Win Const & Eng Co Limited (長嶸建築有限公司), a company incorporated in Hong Kong on 24 December 2003 in which the associates of our Controlling Shareholders were previously interested as detailed in the section headed "Relationship with the Controlling Shareholders – Excluded business" in this document
"WBDB"	the Works Branch of the Development Bureau
[REDACTED]	
[REDACTED]	
"Yau Wing"	Yau Wing Construction & Engineering Limited (有榮建築工程有限公司), a company incorporated in Hong Kong on 21 January 2011 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"4M2016"	the four months ended 30 April 2016
"4M2017"	the four months ended 30 April 2017
"sq.ft."	square foot
"%"	per cent.

DEFINITIONS

Certain amounts and percentage figures included in this document 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.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document as they relate to our Company and as they are used in this document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or usage of those terms.

"Approved Specialist List" or "List of Approved Specialist Contractors for Public Works"	List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
"Approved Public Works Contractors List"	List of Approved Contractors for Public Works as kept by the Development Bureau, which are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender: Group A – for contracts of value up to HK$75 million; Group B – for contracts of value up to HK$185 million; and Group C – for contracts of any value exceeding HK$185 million. Note: Probationary status in the group indicated, which the number and value of contracts for which contractors are eligible to tender and to be awarded are limited
"Authorised Signatory(ies)"	the appointed person(s) to act for a registered contractor for the purpose of the Buildings Ordinance
"bills of quantities"	a list of items included in the slope works contract providing description, quantity and the unit price of the work to be performed to provide a means of valuing the slope works performed
"civil engineering"	the design and/or construction of structures, infrastructures, airports, roads and railways, bridges and tunnels; utilities installations; geotechnical and underground works; marine power stations, industrial plants, and refineries (all excluding major electrical and mechanical works); public amenities and facilities with structural or the aforementioned content. Excluded from "civil engineering" are residential, public and office buildings and public amenities and facilities which are largely architecturally driven

GLOSSARY OF TECHNICAL TERMS

"Contractor's Performance Index System"	the contractor's performance index system administered by the Development Bureau, details of which are set out in the paragraph headed "Regulatory overview – Contractor licensing regime and operation – Contractors' Performance Index System" in this document
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	quality management system requirements published by ISO
"ISO 14001"	environmental management system requirements published by ISO
"Landslip Prevention and Mitigation Programme"	the rolling Landslip Prevention and Mitigation Programme launched by the Geotechnical Engineering Office of the CEDD in 2010 the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" maintained by the Development Bureau
"main contractor"	in respect of a construction project, a contractor appointed by the project employer who generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
"man-made slopes"	slopes with certain man-made features, including cut-back slopes, slopes formed by filled materials, slopes with the support of retaining walls, and slopes containing disturbed terrain features
"natural hillsides"	sloping terrains that are not significantly modified by human activities
"OHSAS"	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
"OHSAS 18001"	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business

"Practice Note for Registered Contractors 38"	Registration of General Building Contractors and Specialist Contractors issued by the Buildings Department from time to time covering the registration of general building contractors and specialist contractors with the Buildings Department
"private sector projects"	works contracts that are not public sector projects
"public sector projects"	works contracts that originate from Government departments or statutory bodies
"quotation"	the type of contracts with our suppliers and/or subcontractors secured by request for quotation from the relevant suppliers and/or subcontractors
"Registered Specialist Contractor"	a person whose name is on the register of specialist contractors maintained under section 8A of the Buildings Ordinance from time to time
"schedule of rates"	a set of general regulations and special conditions governing the execution of work and payment for works performed
"slope works" or "LPM works"	in respect of our business, generally refer to landslip preventive, remedial and mitigation works for improving or maintaining the stability of slopes and/or retaining walls, and the terms "slope works" and "LPM works" may be used interchangeably in this document
"SOPL"	Security of Payment Legislation for the Construction Industry, details of which are set out in the section headed "Regulatory overview – Security of Payment Legislation for the Construction Industry" of this document
"subcontractor"	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
"Technical Director"	in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance

"variation orders"	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as "aim", "anticipate", "believe", "estimate", "expect", "going forward", "intend", "may", "plan", "potential", "predict", "propose", "seek", "should", "will", "would" and other similar expressions, and the negative of these words, are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group's business and operating strategies and plans of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group's business;
- our Company's dividend;
- our financial conditions;
- availability of bank facilities and other forms of financing;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- estimates of capacities and operating costs;
- future developments in the industry in which our Group operates; and
- other factors beyond our control.

These statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources, and are based on several assumptions, including those regarding our Group's present and future business strategies and the environment in which our Group will operate in the future.

Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group's future performance may be affected by various factors including, without limitation, those discussed in the sections headed "Risk factors" and "Financial information" of this document, many of which are not within our Company's control.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements as set out in this section.

In this document, statements of, or references to, our Group's intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

You should carefully consider all of the information in this document including the risks and uncertainties described below before making an investment in the [REDACTED]. You should pay particular attention to the fact that the legal and regulatory environment in Hong Kong may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on the availability of public sector slope works projects in Hong Kong and any failure of our Group to secure public sector projects would adversely affect our operations and financial results

We have relied and will continue to focus on public sector slope works projects awarded by their nature are only procured by our customers from a limited number of project employers who are normally Government departments and statutory bodies. For FY2014, FY2015, FY2016 and 4M2017, revenue attributable to public sector projects amounted to approximately HK$278.0 million, HK$366.1 million, HK$316.1 million and HK$113.7 million respectively, representing approximately 91.1%, 93.5%, 91.7% and 92.5% of our total revenue respectively. Contracts from the Government departments and statutory bodies are normally awarded to contractors by way of public tender and there is no assurance that we will continue to obtain contracts from Government departments and statutory bodies in the future. If we are unable to successfully tender for contracts from Government departments and statutory bodies or if there is a significant decrease in our revenue from public sector projects, our business operations, financial results and profitability will be adversely affected.

Furthermore, the Government's spending budget on civil engineering projects (especially those involving slope works, being the principal types of works we undertook during the Track Record Period) may change from year to year, which in turn may be affected by various factors, including but not limited to changes in the Government's policies in relation to landslip prevention and mitigation, changes in the Government's public housing policy, the amount of investment in the construction of new infrastructure and improvement of existing infrastructure by the Government, the general financial conditions of the Government and the general economic conditions in Hong Kong. Any reduction or significant delay in the level of spending on construction projects by the Government or discontinuation of favourable Government programmes such as the Landslip Prevention and Mitigation Programme may affect our business and operating results. Please refer to the section headed "Industry overview – Slope works industry – Landslip Prevention and Mitigation Programme" in this document for further details. In the event that the Government reduces or delays its level of spending on construction projects and our Group fails to secure sufficient business through the private sector, the business and financial positions and prospects of our Group could be materially and adversely affected.

Delay in the commencement of public sector projects, which may be caused by factors such as political disagreements in relation to such projects, delay in approval of funding proposals due to political filibustering and objections or legal actions by the affected members of the public, and the occurrence of large scale demonstration or occupation activities may adversely affect our operations and results of operation

For FY2014, FY2015, FY2016 and 4M2017, revenue generated from public sector projects contributed to approximately 91.1%, 93.5%, 91.7% and 92.5% of our total revenue respectively. The delay in commencement of public sector projects may adversely affect the demand for our slope works services and our results of operation. Delay in the commencement of public sector projects may be caused by, among other things, political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Our engagement in public sector projects depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members thereof has often led to delays in the passing of public works funding proposals in recent years.

Given that the work schedule of our public sector projects could impact on our revenue recognised each year, there is a risk that after we are awarded the tender for a public sector project, there may be uncertainty on the commencement date, which may adversely affect our operations and financial position including but not limited to our revenue for a given year, resource allocation and our analysis of the forecasted amount and timing of cash inflows and outflows in relation to our projects.

Our revenue is mainly derived from projects which are non-recurring in nature and any failure of our Group to secure tender contracts would affect our operations and financial results

Most of our revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. During the Track Record Period, substantially all of our revenue were derived from tender contracts, and we do not have any long term commitment with our customers. Thus, the number of our customers may vary from year to year. As at the Latest Practicable Date, we had 38 projects in progress. We strategically submit new tenders or to bid for new contracts from time to time subject to the internal resource available to carry out new projects. In the event that our Group is unable to secure new contracts, our revenue and financial performance may be adversely affected. During the Track Record Period, the contract period for our slope works projects generally ranges from one month to 36 months. There is no right of first refusal upon expiry of such contracts and therefore, there is a risk that we may not succeed in tendering for the same customer's projects upon the expiry of our contract. Moreover, there is no assurance that the terms and conditions of the new contracts would be comparable to the existing contracts or our tenders would be selected by customers. In the competitive tendering process, we may have to lower our service charges or offer more favourable terms to our customers in order to increase the competitiveness of our tenders. If we are unable to reduce our costs accordingly and maintain our competitiveness, our results of operations would be adversely affected. Furthermore, so far as our Directors are aware, most of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management,

industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that we will meet our customers' tendering requirements in which case we may not be granted the tender and our reputation, business operations, financial condition and results of operations may be adversely affected.

For FY2014, FY2015, FY2016 and 4M2017, we recorded a tender success rate of approximately 23.3%, 17.7%, 8.9% and 5.7% respectively. Our success rate on project tendering depends on a range of factors, which primarily include the number of tenders submitted, our tender price and, in respect of Government contracts, our performance ratings under the Contractors' Performance Index System administered by the Development Bureau. Please refer to the sections headed "Business – Tender success rate" and "Business – Awards, recognitions and performance ratings" in this document for further details. There is no assurance that our Group could achieve the historical tender success rate as well as the performance ratings in the Government record in the future as we did in the past. In the event that our Group fails to secure new contracts or there is a significant reduction of contracts for bidding in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operations and profitability

As a main contractor, we may from time to time delegate a portion of works to subcontractors under close supervision and management of our project management team. Please refer to the section headed "Business – Suppliers" in this document for further details of our subcontractors. For FY2014, FY2015, FY2016 and 4M2017, subcontracting charges incurred by us amounted to approximately HK$205.3 million, HK$263.8 million, HK$226.6 million and HK$90.7 million respectively. There is no assurance that we are able to monitor the performance of these subcontractors as directly and efficiently as with our direct labour. In addition, our inability to hire qualified subcontractors could hinder our ability to complete a project within the prescribed deadline.

Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors or third parties. Accordingly, we may experience deterioration in the quality or delay in completion of our projects. We may also incur additional costs due to the delays or a higher price in sourcing the services, equipment or supplies in default. We are usually liable for our subcontractors' default. These events may have impact upon our profitability, financial performance and reputation, as well as result in litigation or damages claims.

Our subcontractors may be exposed to charges due to violation of safety, environmental and/or employment laws and regulations which may affect their renewal of relevant licences or may even lead to revocation of their licences. If this happens in our projects, we will have to appoint other subcontractor(s) for replacement and thus additional costs may be incurred.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject to prosecutions as primary defendant by relevant authorities. For instance, under the Immigration Ordinance (Chapter 115 of the

Laws of Hong Kong), if a subcontractor employs an illegal immigrant on a construction site, the construction site controller (including but not limited to the principal or main contractor and the subcontractor) may be found to have committed an offence and liable to a fine. In addition, we may be liable to claims for losses and damages, if such violations cause any personal injuries/death or damage to properties.

Moreover, pursuant to the Employment Ordinance, a principal contractor or a main contractor and every tier of subcontractors shall be jointly and severally liable to pay any wages that become due to an 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. Our operations and hence our financial position may thereby be adversely affected if any of our subcontractors violate their obligations to pay their employees.

We have concentrated customer base and any decrease in the number of projects with our five largest customers would adversely affect our operations and financial results

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Revenue contribution from our five largest customers for FY2014, FY2015, FY2016 and 4M2017 accounted for approximately 86.2%, 89.5%, 85.8% and 83.4% of our total revenue respectively. For the same periods, our largest customer, Customer A, accounted for approximately 70.1%, 77.3%, 69.5% and 47.6% of our total revenue respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service agreement or master service agreement with our customers. Furthermore, our service contracts for all slope works are secured by tendering and entered into on a project-by-project basis. As such, due to the non-recurring nature of our projects, there is no assurance that we will be able to retain our customers upon expiry of the contract period or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by our five largest customers to us for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial conditions and operating results will be materially and adversely affected. Besides, if any of our five largest customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

Delay or error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by us

Construction contracts (including slope works contracts) and in particular public projects are normally awarded through a competitive tendering process. We determine a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by us contain no mistake and error. Such mistakes and errors may be in the form of inaccurate estimation,

oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. In case of contracts awarded to us with mistakes or errors in the submitted tender, we may be bound by the contract to undertake the project at a substantial loss.

Inaccurate estimation on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when we actually execute the awarded project. Many factors affect the time taken and the costs actually involved in completing slope works projects undertaken by us. Examples of such factors include shortage and cost escalation of labour and materials, difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers, any unanticipated technical problems, stringent technical construction requirements, any exacerbation of any or most of the aforesaid factors alongside with the growth of the projects in terms of both their size and complexity, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents, and changes in the Government's policies. Other unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises and remains unresolved, completion of construction works may be delayed or we may be subject to cost overruns or our customers may even be entitled to unilaterally terminate the contract.

Some of our contracts contain specific completion schedule requirements and liquidated damages provisions (i.e. we may be liable to pay the customer liquidated damages if we do not meet the schedules). Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit expected from the relevant contracts.

A project may be delayed or its costs may be increased because of delays during the process of obtaining any specific permits, approvals from relevant agencies or authorities of the Government. Failure to complete construction according to specifications and quality standards may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delays or failure to complete and/or unilateral termination of a contract by customers may cause our revenue or profitability to be lower than we originally expected. We cannot guarantee that we will not encounter cost overruns or delays on our current and future construction projects. If such cost overruns or delays occur, we may experience increases in costs exceeding our budget or be required to pay liquidated damages, hence reduction in or elimination of the profits on our contracts.

Works contracts are subject to termination

It is a standard special condition contained in the work contracts between the Government and a contractor that the Government is entitled to terminate a work contract at any time by notice in writing to the contractor without cause (the "**right to terminate for convenience**") and such termination shall take effect on a date specified in the notice but without prejudice to the claims of either party in respect of any antecedent breach thereof. According to the guidance of a technical circular issued by the Environment, Transport and Works Bureau of the Government dated 21 July 2004, it is a policy of the Government that the right to terminate for convenience shall only be exercised in very exceptional and justified circumstances. Although we did not experience such termination during the Track Record Period, there is no assurance that the Government will not exercise such right to

terminate for convenience in the future. In the event that the Government exercises such right to terminate for convenience a works contract undertaken by our Group, our Group's work plan and financial position may be adversely affected.

Rising construction costs, including the costs of slope works workers and construction materials and consumables, may increase our costs of engaging subcontractors

We normally engage subcontractors to perform site works for the slope works contracts undertaken by us. The fees charged by our subcontractors depend on a number of factors, which generally include their own labour costs and the costs of construction materials. Therefore, if labour costs and costs of construction materials in Hong Kong keep increasing, our subcontracting charges may increase in the future, which could materially and adversely affect our business operations and financial conditions.

Construction works are generally labour-intensive in nature. The average daily wage of construction workers for slope works in Hong Kong increased from about HK$1,012.0 per day in 2012 to about HK$1,534.2 per day in 2016, representing a CAGR of approximately 11.0%, mainly due to the growing slope works industry as well as civil engineering industry in Hong Kong and the shortage of experienced and skillful labour as a result of a declining number of young people entering the industry whereby skilled workers are approaching the age of retirement according to the Ipsos Report.

In addition, according to the Ipsos Report, the various different construction materials and consumables are required for the performance of slope works, including in particular high-tensile steels, structural steel and cement. Under our typical subcontracting arrangements, the costs of purchasing construction materials and consumables are normally borne by our subcontractors but in a limited number of cases, such purchase costs may be borne by us. Therefore, any material fluctuations in the costs of construction materials and consumables may affect our subcontracting charges and also our direct costs.

The amount of revenue that we are able to derive from a project may be higher or lower than the original contract sum and contractual disputes with our customers may arise due to factors such as variation orders

The aggregate amount of revenue that we are able to derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including additions, reductions and/or other changes in the scope of the works) placed by our customers from time to time during the course of project execution. As such, there is no assurance that our projects on hand will not be substantially lower than the original contract sum as specified in the relevant contracts.

In respect of our projects completed during FY2014, FY2015, FY2016 and 4M2017 where the amount of revenue recognised were lower than the original contract sum, such differences amounted to an aggregate of approximately HK$32.0 million, HK$27.8 million, HK$11.6 million and HK$0.9 million respectively; while our projects completed during the same periods where the amount of revenue recognised were higher than the original contract sum, such differences amounted to an aggregate of approximately HK$7.1 million, HK$4.6

million, HK$1.4 million and HK$1.2 million respectively, whereas total revenue amounted to approximately HK$305.3 million, HK$391.4 million, HK$344.8 million and HK$122.8 million for FY2014, FY2015, FY2016 and 4M2017 respectively.

As at 30 April 2017, we had 34 projects in progress with a total outstanding contract sum of approximately HK$364.2 million and such projects are expected to be completed by 2020. Due to the reasons mentioned above, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be substantially different from such estimated figures.

On the other hand, if the additional works are not the same or similar in the manner set out above or the items of the additional works are not included in the original contracts and our Group and the customers and/or their authorised representatives fail to reach an agreement on the rate for carrying out the variation works, the customers and/or their authorised representatives would fix the rate that they unilaterally think reasonable. If our Group disagrees on such rates, contractual disputes with the customers may arise. Our results of operation, liquidity position and financial position may therefore be adversely affected.

It is not uncommon in our industry to have numerous construction disputes and litigation and our performance may be adversely affected by such construction disputes and litigation

It is not uncommon in our industry to have construction disputes and litigation. We may be in disputes with our customers, subcontractors, suppliers, workers and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the section headed "Business – Litigation and potential claims" in this document for further information on material disputes or litigation we encountered during the Track Record Period.

The handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management's attention and input. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the efforts and resources of our management.

In addition, the outcomes of legal proceedings or disputes are influenced by, among others, negotiation skills, knowledge and judgment of our management. Our Group, to a large extent, relies on the relevant expertise and qualification of our management (including our executive Directors) in dealing with contractual disputes, litigation and arbitration. Should any claims against us fall outside the scope and/or limit our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

Our business has to be operated with various registrations, certifications and licences and the loss of or failure to obtain and/or renew any or all of these registrations, certifications and/or licences could materially and adversely affect our business

In accordance with the laws of Hong Kong, our Group is required to obtain/maintain registrations and/or certifications in order to operate our business. For details, please refer to the section headed "Regulatory overview" in this document. To conduct our business in carrying out construction works, we are required to maintain operating qualifications and licences. These registrations, certificates and/or licences are granted/renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant government departments or organisations. Such criteria may include the maintenance of certain financial requirements including our working capital level. These registrations and/or certificates may only be valid for a limited period of time and may be subject to periodic reviews and renewals by government authorities or relevant organisations. We cannot assure you that all these required registrations, certificates or licences can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by the Government authorities in relation to the construction/foundation industries to which we provide our services may result in our failure to obtain or maintain such relevant registrations, certificates and/or licences. If we cannot obtain and/or renew these registrations, certificates and/or licences, we may have to temporarily suspend the relevant businesses operated by us, which would have a material adverse effect on our business and results of operations.

In particular, Geotech Engineering, our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public works maintained by the Development Bureau including, among others, under the categories of "Landslip preventive/Remedial works to slopes/Retaining walls" (confirmed status) and "Ground investigation field work" (Group I status). Being on such list is a prerequisite for tendering for public sector projects in the relevant works categories. The retention on the List of Approved Specialist Contractors for Public Works is subject to certain financial, technical and management criteria as stipulated in the Contractor Management Handbook – Revision B published by the Development Bureau. Such criteria are summarised in the section headed "Regulatory overview – Contractor licensing regime and operation" in this document. The Secretary for Development of the Government reserves the right to remove any contractor from the List of Approved Specialist Contractors for Public Works or take other regulatory actions against a contractor such as suspension, or where applicable, downgrading from confirmed status to probationary status or demotion to a lower group if doubts arise as to the ability of a contractor to meet such criteria. Circumstances which may lead to the taking of regulatory actions include but not limited to unsatisfactory performance, failure to submit accounts or meet the financial criteria, poor site safety record, poor environmental performance, failure to submit a valid competitive tender for a period of three years, failure or refusal to implement an accepted tender, misconduct, violation of laws, etc. In the event that Geotech Engineering fails to maintain major licences and qualifications such as remaining on the List of Approved Specialist Contractors for Public Works under the categories of "Landslip preventive/remedial works to slopes/retaining walls" (confirmed status) and "Ground investigation field work" (Group I status) or

if any of the aforesaid regulatory actions is taken against it such as suspension, downgrading or demotion, the business and financial positions and prospects of our Group could be materially and adversely affected.

Our liquidity position may be adversely affected if retention money is not paid to us in full as a result of disputes over our works done

Pursuant to the terms of our contracts with customers, our customers may hold up a certain percentage of each interim payment made to us as retention money. A portion of contract value is usually withheld by our customers as retention money. The amount of retention money, which depends on negotiation with our customers, generally represents 5% to 10% of the value of the works done. Retention money withheld are normally released to us after the receipt of completion certificate and/or the expiry of the maintenance period. As at 31 December 2014, 2015, 2016 and 30 April 2017, our retention receivables amounted to approximately HK$17.1 million, HK$17.6 million, HK$18.4 million and HK$18.5 million, respectively. There is no assurance that the retention money will be paid by our customers to us in full. Partial payment or failure by our customers to make payment at all as a result of disputes over our works done may have an adverse effect on our liquidity position.

Our business plans and strategies may not be successful or achieved within the expected time frame or within the estimated budget and our historical revenue and profit margin may not be indicative of our future revenue and profit margin

We intend to further enhance our machinery and our manpower in order to cope with the expected increase in demand for our services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

For FY2014, FY2015, FY2016 and 4M2017, revenue amounted to approximately HK$305.3 million, HK$391.4 million, HK$344.8 million and HK$122.8 million respectively, and net profit amounted to approximately HK$25.9 million, HK$35.4 million, HK$20.4 million and HK$6.7 million respectively, representing net profit margin of approximately 8.5%, 9.0%, 5.9% and 5.5% 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. Profit margins for our contracts may fluctuate from project to project due to factors such as the amount of subcontracting and labour resources required, the type of construction techniques and machinery employed. There is no assurance that our profit margin in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

Failure to properly supervise site works as a Registered Specialist Contractor may result in prosecution or disciplinary action

Geotech Engineering, our principal operating subsidiary, has completed the registrations as a Registered Specialist Contractor under the sub-register of "Site Formation works" and "Ground Investigation Field works" categories. For private sector projects, a person is required to appoint a Registered Specialist Contractor to carry out specialised works (such as site formation works and ground investigation field works) pursuant to section 9 of the Buildings Ordinance. Some of our customers may appoint Geotech Engineering to act as a Registered Specialist Contractor pursuant to the requirement of section 9 of the Buildings Ordinance. The duties of a Registered Specialist Contractors are: (i) to provide continuous supervision to the carrying out of the works; (ii) to notify the Building Authority of any contravention of the regulations that would result from carrying out the works; and (iii) to comply generally with the Buildings Ordinance.

If we are appointed by our customer to act as a Registered Specialist Contractor in a private sector project and we fail to properly supervise the carrying out of the site works pursuant to the requirements of the Buildings Ordinance, we and our Directors may be subject to prosecution or disciplinary action, details of which are set out in the paragraph headed "Regulatory overview – Contractor licensing regime and operation – Regulatory actions under the Buildings Ordinance" in this document. There is no assurance that no such incidents will occur in the future. In such event, our reputation, business operations and financial position may be materially and adversely affected.

Our profit margin may be adversely affected if our contract price is adjusted downwards under the contract price adjustment mechanism specified in some of the public works contracts undertaken by us

Some of our contracts for public sector projects provide for a contract price adjustment mechanism (both upward and downward adjustments) with reference to certain price indices includes the index for the average daily wages of workers engaged in the public sector projects and the index for the average wholesale prices of selected materials compiled and published by the Census and Statistics Department. This price adjustment provision provides equitable risk sharing between the Government as the employer and our Group as the contractor. The contract price fluctuation payment is calculated based on the difference between the indices of costs of construction labour and/or materials applicable to the date 42 days prior to the date for the return of tenders and the current values of these indices applicable to the date 42 days prior to the date for commencement stated on the relevant works order in accordance with a pre-determined relative proportion for the relevant cost index. During the Track Record Period, there were 21 contracts (with an aggregate contract sum of approximately HK$1,603.0 million), representing approximately 11.5% of the total number of our contracts and approximately 81.8% of the total contract sum of our contracts (including completed contracts and ongoing contracts) that were/are subject to such price adjustment mechanism.

When such a contract price adjustment mechanism is included in the contract between us and our customer, we may or may not include a similar mechanism in the contract between us and our subcontractors. In the event that a similar mechanism is not included in

the contract between us and our subcontractors, our profit margin may be negatively affected if the contract price to be received by us from our customer is adjusted downward but the subcontracting charges to be paid by us to our subcontractors remain unchanged. If any downward adjustments in the future is significant but the subcontracting charges to be paid by us to our subcontractors remain unchanged, our profit margin, results of operations and financial position may be materially and adversely affected.

Working capital requirements for tendering Government contracts and failure by customers to make timely or full payments may lead to liquidity risk

We normally receive progress payment from our customers, who are either the main contractors when we act as subcontractor, or the project employer when we act as main contractor. Progress payment is generally made monthly by reference to the value of works done in that month. A portion of contract value is usually withheld by our customers as retention money. The amount of retention money, which depends on negotiation with our customers, generally represents 5% to 10% of the value of the works done. Also, when undertaking contract works, after we apply for payment from our customers, there is generally a certification process on works completed before final payment is made by our customers. As at 31 December 2014, 2015, 2016 and 30 April 2017, retention receivables of approximately HK$17.1 million, HK$17.6 million, HK$18.4 million and HK$18.5 million respectively, were retained by our customers. Please refer to the section headed "Business – Customers – Major terms of engagement with our customers" in this document for further details.

We rely on cash inflow from our customers to meet our payment obligations to our direct labour and our suppliers and subcontractors which provide us with construction materials and subcontracting services to complete our slope works. There is no assurance that progress payment will always be certified and paid to us in full or on schedule, or the retention money will be paid by our customers to us in full. We would 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. Partial payment or failure by our customers to make remittance at all as a result of disputes over our works done may have an adverse effect on our liquidity position.

In addition, Geotech Engineering, our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the categories of, among others, "Landslip preventive/remedial works to slopes/retaining walls" (confirmed status) and "Ground investigation field work" (Group I status), being a prerequisite for tendering for public sector projects in the relevant works categories. The retention on such list is subject to certain minimum employed capital and minimum working capital requirements being met from time to time. For further details, please refer to the section headed "Regulatory overview – Contractor licensing regime and operation" in this document. If we fail to properly manage our liquidity position in view of such working capital requirements, our cash flows and financial position could be materially and adversely affected.

We may be affected by possible increases in insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operation are generally not insured

For FY2014, FY2015, FY2016 and 4M2017, the aggregate expenses of our insurances were approximately HK$4.6 million, HK$4.1 million, HK$3.2 million and HK$0.6 million respectively. Our insurance policies may not cover all of our risks or payments and our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our properties or our business operations. We cannot control if there is a reduction or limitation of insurance coverage by insurers upon the expiry of our current policies. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage may materially and adversely affect our business operations and financial results. Further, there are certain types of losses for which insurance coverage is not generally available (such as risks in relation to collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, etc.) on commercial terms acceptable to us, or at all. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves. In such a case, our business, financial condition and results of operations may be adversely affected.

Changes in existing environmental regulations and guidelines may impose additional costs and burden to us

Our business is subject to the environmental regulations and guidelines issued by the Government, which apply to the operation of all civil engineering projects in Hong Kong. Such regulations and guidelines may be amended by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines could impose additional cost and burden to us.

We depend on key management personnel

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. Details of their expertise and experience are set out in the section headed "Directors and senior management" in this document. If any of our executive Directors ceases to be involved in the management of our Group in the future and our Group is unable to find a suitable replacement in a timely manner, there could be an adverse impact on our business, results of operation and profitability of our Group.

Industrial actions or strikes may affect our business

Typical construction works are divided into various disciplines, and each requires highly specialised labour. Industrial action of any one discipline may disrupt the progress of our construction works. During the Track Record Period, our projects did not encounter any strike action. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business

performance and hence profitability and results of operation. Any delays in completing our works caused by such action may affect our business, financial conditions and results of operations.

Personal injuries, property damages or fatal accidents may occur if work safety measures are not followed at the construction sites

In the course of our operations, we require our employees and subcontractors to adhere to and implement all the work safety measures and procedures as stipulated in our work and safety control policy. We monitor and supervise closely our employees in the implementation of all such work safety measures and procedures during execution of works. However, we cannot guarantee that our employees or subcontractors will not violate the applicable laws, rules or regulations. If any such employees or subcontractors fails to comply with our work safety measures at the construction sites, personal injuries, property damage or fatal accidents may occur in greater numbers and/or to a serious extent. Please refer to the section headed "Business – Occupational health and safety – System of recording and handling accidents and our safety compliance record" in this document for further information on the accidents we encountered during the Track Record Period. These may adversely affect the financial position of our Group to the extent not fully recoverable from our insurance policies. They may also cause our relevant licence and/or certifications to be suspended or not renewed. Besides, failure to maintain safe construction sites and/or implement safety management system resulting in the occurrence of serious personal injuries or fatal accidents may lead to our removal from the List of Approved Specialist Contractors for Public Works and/or non-renewal of our registrations with the Building Authority as a Registered Specialist Contractor.

Furthermore, public project tenders are generally evaluated by taking into account a number of factors, which include without limitation the subcontractor's compliance records with the relevant laws and regulations. We may also be subject to inspections by the relevant Government departments (e.g. Labour Department) from time to time and these inspections may lead to formal charge(s) against our Group. Non-compliance and conviction records may affect our chance of winning future bids.

We are exposed to certain inherent risks relating to slope works

Prior to commencement of our projects, ground investigation may be conducted or our customers may supply us with ground investigation report. However, information contained in these reports may not be sufficient to reveal the actual geology beneath our construction site due to technical limitations such as the limitation in the scope of underground investigation that can be carried out at the site.

There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports. For instance, such investigations may not reveal the existence of rocks or identify any antiquities, monuments, structures beneath the site, artificial underground obstructions, bombs, contaminated soil, presence of unknown obstacles due to historical use of site, existing methane gas generated during construction, collapse of temporary structures, and land subsidence which may not have been anticipated at the preliminary stage. Such difficult or dangerous conditions at the underground level or

at the work site may cause difficulties to our work, affect our work progress, incur additional project expenses and result in personal injuries or even fatality of our site workers.

Furthermore, public utility services such as fresh and flush water mains, low or high voltage electric cables, optical fibre telephone lines, cable television fibre and high pressure gas mains, are laid underground in Hong Kong. There is no assurance that damage to these utilities will not occur during our slope works. Accordingly, we may be liable to the costs for the repair of such damaged utilities. In the event that we are committed to a fixed sum or rate contract and that no adjustment to the contract sum could be agreed with our customers, or that such damages are uninsured, we may have to bear increased expenses and our profitability would be adversely affected.

Our Group's operations may be affected by inclement weather conditions, epidemics, natural disasters, acts of war and terrorist attacks and are subject to other construction risks

Our business operations are mostly conducted outdoors and are affected by weather conditions. If inclement weather conditions persist or a natural disaster occurs, we may be prevented from performing works at our construction sites, and we thereby fail to meet specified time schedule. If we have to halt operations during inclement weather conditions or a natural disaster, we may continue to incur operating expenses even while we experience reduced revenues and profitability. Besides, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, severe respiratory syndrome and Ebola virus disease), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers of construction materials and subcontractors.

Dividends declared in the past may not be indicative of the dividend in future

For FY2014, FY2015, FY2016 and 4M2017, we declared dividends of HK$2.5 million, HK$3.2 million, nil and HK$30.0 million respectively to our then shareholders. The 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 and paid by our Company to the Shareholders in future after Listing. There is no assurance that our Group will declare dividends in amount similar to or exceeding historical dividends declared. The declaration, payment and amount of any future dividends are subject to the discretion of the Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our performance depends on market conditions and trends in the slope works industry and any deterioration in the prevailing market conditions in the slope works industry may adversely affect our performance and financial conditions

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

We operate in a relatively competitive environment

We mainly compete with approved specialist contractors who are included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the categories of, among others, "Landslip preventive/remedial works to slopes/ retaining walls" (confirmed status) and "Ground investigation field work" (Group I status) for public sector projects. The admission and retention with respect to the List of Approved Specialist Contractors for Public Works are subject to certain financial, technical and management criteria as stipulated in the Contractor Management Handbook – Revision B published by the Development Bureau. Any potential competitors which are able to meet such criteria may enter the market and compete for Government contracts. There is no assurance that competition in the industry will not increase in the future. Moreover, some of the major market players may have significantly more resources and are better positioned than our Group, including but not limited to having a long operating history, better financing capabilities and well developed, technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong

Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for all of our Group's total revenue during the Track Record Period. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

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

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for the Shares, the general market sentiment regarding the site formation industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [REDACTED].

Investors may experience dilution if our Group issues additional Shares in the future

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a *prorata* basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

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

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

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

Our Company is incorporated in the Cayman Islands and its affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of 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 Shareholders is set out in Appendix III to this document.

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

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

RISKS RELATING TO THIS DOCUMENT

Statistics and industry information contained in this document may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed "Industry overview" in this document and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. 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. Our Company and the Selling Shareholder believe that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, our Company and the Selling Shareholder have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However,

neither our Group, the Selling Shareholder, our Directors, the Sole Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Our Group's future results could differ materially from those expressed in or implied by the forward-looking statements

This document includes various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking statements" in this document.

Investors should read this entire document carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward looking statement

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

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Yau Kin Wing Sino (邱建榮先生)	G/F, No. 175A Wing Ning Tsuen Lung Yeuk Tau Fanling, New Territories Hong Kong	Chinese
Mr. Cheung Ting Kam (張定錦先生)	Flat A, 9/F, Block 6 Constellation Cove 1 Hung Lam Road Tai Po, New Territories Hong Kong	British
Mr. Kung Ho Man (龔浩文先生)	Flat C, 4/F, Tower 26 Parc Oasis 37 Grandeur Road Kowloon Hong Kong	Chinese
Ms. Tang Ka Wa Danise (鄧嘉華女士)	Flat F, 15/F Yue Fung Building 59 On Ling Road Yuen Long, New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Fung Chi Kin (馮志堅先生)	Flat H, 28/F, Tower 10 Carmel Cove Caribbean Coast Phase 3 1 Kin Tung Road Tung Chung Lantau Island Hong Kong	Chinese
Mr. Cheung Wai Lun Jacky (張偉倫先生)	Flat C, 30/F, Tower 1 The Coronation 1 Yau Cheung Road Yau Ma Tei Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Residential address	Nationality
Mr. Chow Chun To (鄒振濤先生)	Flat D, 16/F, Tower II The Palazzo 28 Lok King Street Fo Tan New Territories Hong Kong	Chinese

For details of our Directors and senior management, please refer to the section headed "Directors and senior management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

RHB Capital Hong Kong Limited
12/F., World-Wide House
19 Des Voeux Road Central
Hong Kong
(A licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)

[REDACTED]

Legal advisers to our Company

As to Hong Kong law
Guantao & Chow Solicitors and Notaries
Suites 1604-6, 16th Floor
ICBC Tower
3 Garden Road
Central, Hong Kong

Mr. Chan Chung
10/F, Grand Building
15-18 Connaught Road Central
Central
Hong Kong

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

Legal adviser to the Sole Sponsor [REDACTED]

As to Hong Kong law
D. S. Cheung & Co.
29/F., Bank of East Asia Habour View Centre
56 Gloucester Road
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Auditors and reporting accountants	**Grant Thornton Hong Kong Limited** *Certified Public Accountants* Level 12 28 Hennessy Road Wanchai Hong Kong
Receiving bank	[REDACTED]
Selling Shareholder	**Flourish Team Limited** Sertus Chambers, P.O. Box 905 Quastisky Building, Road Town Tortola BVI

CORPORATE INFORMATION

Registered office in the Cayman Islands	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Units 05-08, 11/F Delta House 3 On Yiu Street Shek Mun New Territories Hong Kong
Company secretary	Mr. Ip Ying Hang（葉映恒）*(HKICPA)* Flat C, 30/F, Tower 8 Tseung Kwan O Plaza Tseung Kwan O New Territories Hong Kong
Compliance adviser	**RHB Capital Hong Kong Limited** 12/F., World-Wide House 19 Des Voeux Road Central Hong Kong *(A licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
Authorised representatives	Mr. Yau Kin Wing Sino（邱建榮） G/F, No. 175A Wing Ning Tsuen Lung Yeuk Tau Fanling, New Territories Hong Kong Mr. Ip Ying Hang（葉映恒） Flat C, 30/F, Tower 8 Tseung Kwan O Plaza Tseung Kwan O New Territories Hong Kong
Members of Audit Committee	Mr. Chow Chun To（鄒振濤）*(Chairman)* Mr. Fung Chi Kin（馮志堅） Mr. Cheung Wai Lun Jacky（張偉倫）

Members of Remuneration Committee	Mr. Chow Chun To (鄒振濤) *(Chairman)* Mr. Cheung Ting Kam (張定錦) Mr. Cheung Wai Lun Jacky (張偉倫)
Members of Nomination Committee	Mr. Yau Kin Wing Sino (邱建榮) *(Chairman)* Mr. Fung Chi Kin (馮志堅) Mr. Cheung Wai Lun Jacky (張偉倫)
Cayman Islands principal share registrar and transfer office	[REDACTED]
Hong Kong Branch Share Registrar and transfer office	[REDACTED]
Principal bankers	**Hongkong and Shanghai Banking Corporation Limited** HSBC Main Building 1 Queen's Road Central Hong Kong **Shanghai Commercial Bank** *Siu Sai Wan Branch* Shop 9, G/F Harmony Garden 9 Siu Sai Wan Road Chai Wan Hong Kong
Company's website	**www.geotech.hk** *(information on this website does not form part of this document)*

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Ipsos Report prepared by Ipsos, an independent market research agency, which was commissioned by us. 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. Our Directors have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. The information and statistics have not been independently verified by us, the Selling Shareholder, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], our or their respective directors and officers or any other parties involved in the [REDACTED]. No representation is given as to the accuracy or completeness of such information and statistics. Our Directors confirmed that after taking reasonable care, there is 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.

SOURCE OF INFORMATION

We have commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on, the slope works industry in Hong Kong at a fee of HK$581,000, and our Directors consider that such fee reflects market rates. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful Listing or on the results of the Ipsos Report. Ipsos has been engaged in a number of market assessment projects in connection with [REDACTED] in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the slope works industry in Hong Kong. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including slope works service providers and industry experts and associations in Hong Kong, etc. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology guarantees a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy.

All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based. Ipsos developed its estimates or forecasts on the following bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the civil engineering works in Hong Kong during the forecast period.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

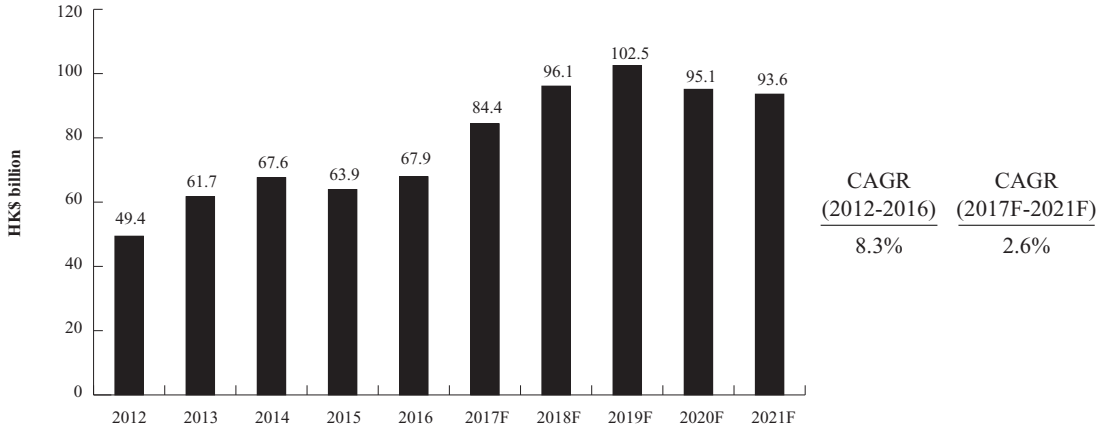
Analyses in the Ipsos Report are based on the following assumptions: (i) the supply and demand of slope works industry in Hong Kong are assumed to remain stable during the forecast period; and (ii) the external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the slope works industry in Hong Kong during the forecast period. The following parameters have been taken into account in the market sizing and forecast model in the Ipsos Report:

- GDP and GDP growth rate in Hong Kong from 2012 to 2016
- Gross fixed capital formation value in Hong Kong from 2012 to 2016
- Total investment value in construction projects in Hong Kong from 2012 to 2015
- Public expenditure on infrastructure in Hong Kong from 2012 to 2016
- Gross output value of construction works performed by main contractors, segmented by public and private sectors, and subcontractors at construction sites in Hong Kong from 2012 to 2016
- Gross output value of civil engineering works at construction sites in Hong Kong from 2012 to 2016
- Historical wage trend for workers in the construction industry in Hong Kong from 2012 to 2016
- Historical accident rates in the construction industry in Hong Kong from 2012 to 2016
- Number of approved contractors for slope works in Hong Kong as of May 2017
- Gross output value of slope works, segmented by public sector and private sector, in Hong Kong from 2012 to 2016
- Average price range of a slope works project in Hong Kong from 2012 to 2016; and
- Historical price trend of key raw materials (such as steel reinforcements (high tensile steel bars), cement, diesel fuel) for the slope works industry in Hong Kong from 2012 to 2016

OVERVIEW OF THE CIVIL ENGINEERING INDUSTRY

The gross output value of civil engineering sector in Hong Kong increased from around HK$49.4 billion in 2012 to around HK$67.9 billion in 2016, with CAGR at around 8.3%. Such significant growth was mainly driven by the rising number of large scale projects for civil engineering works, such as the "Kai Tak development – reconstruction and upgrading of Kai Tak Nullah"; "Expansion of Tai Po water treatment works and ancillary raw water and fresh water transfer facilities – part 2 works" and "Liantang/Heung Yuen Wai Boundary Control Point and Associated Works – Phase 3" amounted to around HK$1.9 billion, HK$3.3 billion and HK$2.5 billion respectively, and the ongoing construction projects such as the implementation of the ten major Infrastructure projects proposed by the Hong Kong Government in 2007.

Total gross output value of civil engineering works at construction sites in Hong Kong



Note: "F" denotes forecast.
Source: *The Ipsos Report*

Given further development of infrastructure projects in Hong Kong, the estimated gross output value of the civil engineering industry in Hong Kong is likely to continue to face robust growth from around HK$84.4 billion in 2017 to around HK$93.6 billion in 2021 at a CAGR of around 2.6%. The gross output value relies significantly on public works held by the Hong Kong Government. Political uncertainty has direct impact on the financing of public works in Hong Kong. Between 2012 to 2016, ongoing filibuster has delayed many of the major civil engineering projects in Hong Kong, resulting in fluctuations of the gross output value of civil engineering works industry in Hong Kong. Filibustering in 2013 to 2015 disrupted the orderly flow of funds from the government, caused cash uncertainties and project delays in 2015 and 2016, resulting in a stagnation of works expenditure. If similar activities persist in future and continue to stagnate the normal legislative procedures for reviewing government bills, initiatives and funding plans, future growth of civil engineering output value in Hong Kong could be greatly compromised.

Driven by the construction of new development areas, launch of urban renewable projects and the government's commitment to increase both public and private housing units, and the ongoing and upcoming Ten Major Infrastructure Projects, which combined will likely to drive up the government spending on infrastructure to HK$102,520.5 million in 2019. As these major projects have an expected completion date by 2020 to 2021, the civil engineering industry is expected a slight drop in the total gross output value.

Key trends of the civil engineering industry in Hong Kong

- ***Outsourcing to subcontractors:*** Outsourcing works from main contractors has been common practice within the civil engineering industry in Hong Kong. Due to the high requirement of labour, as well as equipment for specialised works such as foundation works, ground investigation works, drainage works, it is more cost-effective to engage subcontractors to carry out specialised works in accordance with their expertise and specialist knowledge in a construction project. In addition, main contractors can focus on project management, logistical arrangements, and reserve higher control over their resources such as skilled labour and machinery. Therefore, there is a tendency for main contractors to outsource their works in the civil engineering industry in Hong Kong. According to the Construction Industry Council, as at 19 May 2017, there are approximately 1,277 subcontractors registered under the Subcontractor Registration Scheme to perform earthworks, roadworks, road drainage and sewer, geotechnical works, marine works and ground investigation.

- ***Rising operating costs:*** The operating costs for civil engineering works is anticipated to increase in tandem with the overall construction industry in the short-run mainly due to the labour shortage in the construction industry in Hong Kong. Please refer to the paragraph headed "Potential challenges – Labour shortage" in this section for further information.

- ***Increasing cross-border projects:*** The large-scale cross-border transportation infrastructure projects will remain the largest end-user group of Hong Kong's civil engineering construction industry. The Government of Hong Kong has invested in cross-border infrastructure projects such as the Shenzhen-Hong Kong Western Corridor, and the Guangzhou-Shenzhen-Hong Kong Express Rail Link to develop cross-border fluidity and stronger economic ties between Hong Kong and Guangzhou Province. The two major cross-border projects and anticipated border-region developments are expected to promote growth in the civil engineering industry.

SLOPE WORKS INDUSTRY

Landslip Prevention and Mitigation Programme ("LPMitP")

The LPMitP is a rolling programme launched by the Geotechnical Engineering Office of the CEDD in 2010 to systematically deal with the landslide risk associated with both man-made slopes and natural hillside. Under the LPMitP, the most deserving man-made slopes and natural hillside catchments are selected for studies each year in accordance with a risk based priority ranking system. The necessary landslip prevention and mitigation works, as identified by the studies, for man-made slopes and natural hillside catchments under the Government's maintenance responsibility are implemented under the LPMitP. For private slopes found to be liable to become dangerous, statutory actions are taken against the responsible private owners by the Buildings Department through the Buildings Ordinance to ensure its rectification.

According to the information available on the CEDD's website, the Geotechnical Engineering Office has an average of about 13 works contracts on landslip prevention and mitigation each year (with multiple slopes or sites under each works contract). Since 1977, it has spent about HK$20.9 billion (up to 30 September 2016) on landslip prevention and mitigation studies and works, with about 5,531 government man-made slopes upgraded, about 5,788 studies of private man-made slopes completed, and mitigation measures for 184 natural hillside catchments implemented.

Gross output value of slope works

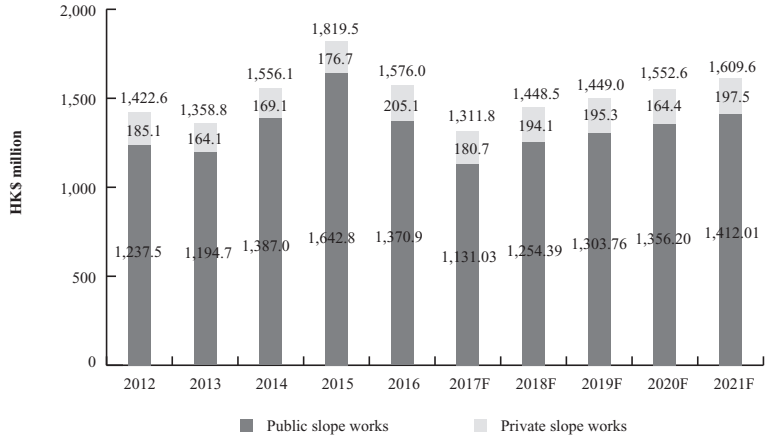
Between 2012 and 2016, the gross output value of slope works in Hong Kong grew from approximately HK$1,422.6 million in 2012 to approximately HK$1,576.0 million in 2016, representing a CAGR of approximately 2.6%. The growth was largely underpinned by the stable increase of both public and private slope works contract values in Hong Kong, driven by the Government's commitment to the LPMitP programme and the rising spending from other Government departments on slope works for public infrastructure and civil engineering projects as well as the development of both public and private housing projects in Hong Kong.

The decline in 2016 was a short-term effect of political uncertainty arising from the filibuster, as well as a contraction of public slope work tender notices due to an internal revaluation of CEDD department's tendering criteria to slope works public contracts. Thus, many slope works tender contracts were on hold and/or delayed in 2016 and in the first half of 2017, leading to a slowdown of the entire industry. In the second half of 2016, zero projects were awarded. In the first half of 2017, the number of projects available for tender began to pick up: three tenders were awarded in between January to May 2017, one of which was awarded to our Group in January 2017 with contract sum of approximately HK$94.0 million. In addition, three tenders are currently active for tender up to June 2017. These projects are expected to commence soon. Amid an increasing volume of available projects in the public sector, this recovery is expected to continue in 2018 and onwards. According to the Development Bureau, between June 2017 and September 2017, (i) eight

projects are forecasted for tender with contract sums up to HK$100 million, and (ii) two tenders are forecasted between this period with contract sums between $100 million and HK$200 million.

It is believed that the slowdown in 2016 and 2017 will be short-term due to the essentiality of slope works and landslip prevention to public safety, as well as the targeted annual outputs set by the LPMitP and their long-term commitment to achieving the targets. As such, the decrease in gross output value of slope works for 2016 and 2017 indicates a demand for slope works in the public sector moving forward between 2018 and 2021. Continuity of the LPMitP program, initiatives to promote slope safety, and the allocated budget to maintain Hong Kong's slopes is expected to drive stable growth for the slope works industry in Hong Kong from late 2017 to 2021.

Gross output value of slope works in Hong Kong



	CAGR (2012-2016)	CAGR (2017F-2021F)
Private	2.6%	2.2%
Public	2.6%	5.7%
Total	**2.6%**	**5.3%**

Notes:

1. "F" denotes forecast.
2. The public and private slope work values may not add up to the number of total due to rounding.

Source: The Ipsos Report

The growth in the gross output value of slope works projects in Hong Kong was mainly driven by the rising public expenditure on slope works upgrade, maintenance and repair. Between 2017 and 2021, the estimated total output value of the slope works in Hong Kong is expected to increase from about HK$1,311.8 million in 2017 to about HK$1,609.6 million in 2021 representing CAGR of about 5.3%, driven by the continuous commitment of the government to slope safety in Hong Kong.

Key drivers of the slope works industry

Continuous demand due to LPMitP: Slope works are essential to the public safety as a prevention of landslides of which could danger the lives of citizens in Hong Kong if not maintained properly and regularly. As the number of landslides has seen rising from 161 in 2015 to 226 in 2016, more slope upgrading and repair works shall be conducted to maintain slope safety in Hong Kong. It is expected that the LPMitP will continue to serve as a primary driver for the public spending on slope works industry in Hong Kong. As of 2016, there remained about 17,600 substandard man-made slopes with moderate risk or affecting squatter dwellings, and 2,800 vulnerable natural hillside catchments that would pose a hazard to the community. The target annual output of the LPMitP of upgrading 150 Government man-made slopes, conducting safety-screening studies for 100 private man-made slopes and carrying out mitigation works for 30 natural hillside catchments will be able to deal with approximately 1% of the remaining man-made slopes and natural hillside catchments where most pressing maintenance and upgrade works will be needed. Under this programme, the Government has made great progress in improving slope safety in Hong Kong. From 2011 to 2016, an annual total number of 173, 153, 153, 154, 155 and 119 government man-made slopes were upgraded respectively, of which an annual total number of 22, 28, 30, 33, 35 and 38 natural hillside catchments were upgraded respectively. The promising annual output witness stable demand of slope works industry in Hong Kong. As the risks of landslide remains high in Hong Kong, public expenditure on LPMitP is expected to remain stable at a level around HK$1 billion in the near future, similar to the average annual expenditure on the implementation of the LPMitP in the previous five years.

Demand for slope stabilisation and reinforcement at new residential building sites: To address the increasing demand for residential properties and the overheated property market, the Government has promulgated the "Long Term Housing Strategy" in December 2014 and has adopted a housing supply target of 480,000 units for the ten-year period from 2015-2016 to 2024-2025, with a public-private split of 60:40. Accordingly, the public housing supply target is 290,000 units, comprising 200,000 PRH units and 90,000 subsidised sale flats, whereas the private housing supply target is 190,000 units. The number of new man-made slopes and slope safety measures such as retaining walls, steel and concrete barriers, and slope stabilisation works are expected to increase as a result of new housing developments, increasing the demand for slope works and slope works.

Demand for slope works from large scale public infrastructure projects: Since the Ten Major Infrastructure Projects was introduced in 2007 Policy Address, large scale infrastructure projects such as the extension of mass transit railway lines, new roadways, and the development of Wan Chai and New Territories areas, have supported the robust growth of the construction industry in Hong Kong. The development of these projects require slope works and maintenance studies, such as developing earth reinforced retaining walls and cut back slopes for road works railways and hill-side building developments. Studies to ensure adequate surface drainage and stabilisation after construction is also key to slope safety for new roadways, railways and new building sites. The construction and maintenance of new slopes is expected to drive the future demand for slope works in Hong Kong.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

The slope works industry in Hong Kong is fairly consolidated with the top five slope works contractors which accounted for approximately 59.2% of the total revenue in the slope works industry in Hong Kong in 2016. As at 30 April 2017, there were 38 approved contractors included in the List of Approved Specialist Contractors for Public Works under the category of "Landslip preventive/remedial works to slopes/retaining walls", of which 13 were on probation and 25 (including our Group) had a confirmed status. The total revenue in the slope works industry in Hong Kong accounted for approximately 2.3% of the total revenue of the civil engineering industry in Hong Kong in 2016. The top five slope works contractors (in terms of market share in the slope works industry in Hong Kong in 2016) and their respective backgrounds are as follows:

Rank	Company Name	Headquarter	Further information	Revenue in 2016 *(HK$ million)*	Market share in 2016	Background Information
1	Our Group	Hong Kong	Main Contractor and subcontractor	344.8	21.9%	Site formation works, landslip preventative/ remedial works, slope/ retaining walls, ground investigation works. ISO 14001:2004, OHSAS 18001:2007 and ISO 9001:2008.
2	Competitor A	Hong Kong	Main Contractor	164.7	10.4%	A listed company in Hong Kong offering services in Civil Engineering Construction, Landslip Preventative/Remedial Works, Slope/Retaining Walls. Slope work accounts for approximately 20% of the total revenue. ISO 9001, ISO14001, ISO 50001 and OHSAS18001
3	Competitor B	Hong Kong	Main Contractor and subcontractor	155.1	9.8%	A listed company in Hong Kong offering services in waterworks engineering services, road works and drainage services, landslip preventative/remedial works, slope/retaining walls, site formation works. ISO 9002
4	Competitor C	Hong Kong	Main Contractor	147.6	9.4%	A listed company in Hong Kong offering services in Site formation works, foundation works, building works, landslip preventive/ remedial works, slop/ retaining walls, ISO 9001, ISO 14001, OHSAS 18001

Rank	Company Name	Headquarter	Further information	Revenue in 2016 *(HK$ million)*	Market share in 2016	Background Information
5	Competitor D	Beijing	Main Contractor	120.8	7.7%	Waterworks engineering services, road works and drainage services, landslip preventative/remedial works, slope/retaining walls, site formation works. ISO 9001, ISO14001 and OHSAS18001
	Others			643.0	40.8%	
	Market total			**1,576.0**	**100.0%**	

Note: Revenue of Competitor B was based on its revenue for the year ended 30 April 2016 reported in its 2016 annual report. Revenue of Competitor C was based on its slope works revenue for the year ended 31 March 2016 reported in its 2016 annual report.

Source: *The Ipsos Report*

Our Group was the largest slope works contractor in Hong Kong in 2016, with approximately 21.9% of the total revenue in the slope works industry in Hong Kong in 2016.

Barriers of entry

Admission to the List of Approved Specialist Contractors for Public Works: Geotech Engineering Limited, our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/ retaining walls" with a confirmed status. Being on such list is a prerequisite for tendering for public works contracts in the slope works categories. The admission and retention as well as the confirmed or probationary status with respect to the List of Approved Specialist Contractors for Public Works are currently subject to certain financial, technical and management criteria.

Capital requirements: The admission and retention on the List of Approved Specialist Contractors for Public Works under the category of "Landslip preventive/remedial works to slopes/retaining walls" are subject to certain financial criteria, which primarily include (i) having a minimum employed capital of HK$8,600,000; and (ii) having a minimum working capital of either (a) HK$8,600,000 if no outstanding contracts or (b) the higher of HK$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors. Please refer to the section "Business – Licences and Permits – Public sector projects" in this document for further details. Such substantial amount of financial capital requirements present barrier for contractors to become eligible to tender for public sector slope works.

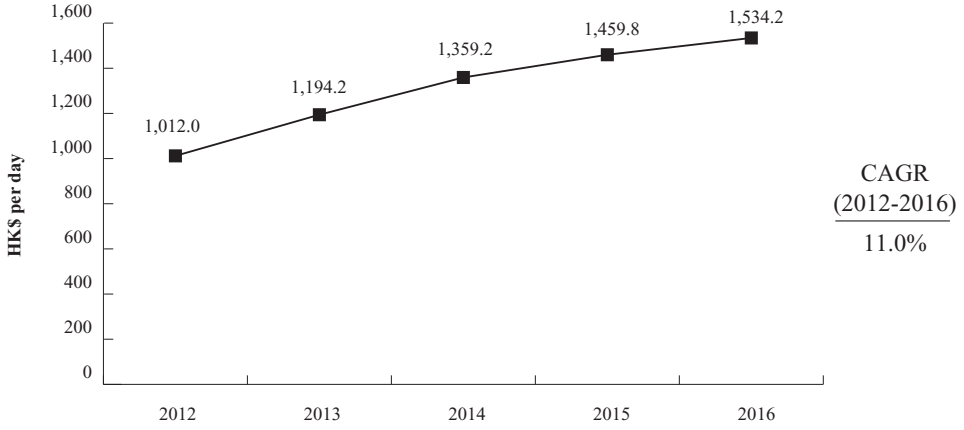
Track record and expertise: An experienced and stable management team with solid project management and execution experience and slope works expertise is a key competitive factor. Particularly for public projects, a credible track record for on-time project delivery, and completion of works within allocated budgets is a strong indicator of sound project management capability of the contractor to carry out slope works. Without capable and experienced in-house personnel with slope works project management experience, the lack of expertise will be barrier for new entrants to winning slope works contracts in the public and private sectors. Under the existing framework governing the enrollment of contractors for public slope works, lack of previous experiences in delivering slope works to public and private sector clients with satisfaction will greatly compromise a company's overall performance rating in its application for being a Specialist Contractor in "Landslip preventive/remedial works to slopes/retaining walls" in Hong Kong. In addition, having obtained the ISO 9001 certification is another prerequisite for contractors to be accepted as eligible public contractor.

KEY THREATS TO THE SLOPE WORKS INDUSTRY

High reliance on public opportunities, together with the political instability arising from the filibusters and delays of approval progress of public construction projects: Filibuster in the Legislative Council refers to the legislative procedure to block or delay approval of funding or proposed bills by the committees of the Legislative Council. The filibuster in the Legislative Council of Hong Kong has caused delays of the funding approval of public construction projects. Due to a unique industry structure of the slope works industry in Hong Kong, approximately 90% of the total industry output comes from the public sector every year. Having said that, if the filibustering activities persist in the near future, it may impact the growth of the slope works industry as part of the construction industry. As such, it may also pose a challenge to major slope works contractors in Hong Kong with a limited availability of slope works projects. Despite the delays of funding approval for construction projects caused by the filibuster in previous years, the Financial Committee of the Legislative Council has claimed to continue their financial support on achieving the targeted annual outputs set by the LPMitP, according to the Financial Committee Meeting conducted in March 2017. The claim of continuous support by the Legislative Council on the slope works industry in Hong Kong suggests a positive growth of the industry, in particular to the public sector, from 2017 to 2021.

Labour Shortage: The civil engineering industry in Hong Kong, including the slope works industry, is suffering from labour shortage due to the shortage of experienced and skillful labours as a result of a declining number of young people entering the industry whereby skilled workers are approaching the age of retirement, coupled with the growing demand for workers as a result of the general increase in the amount of civil engineering works. As at March 2016, more than 40% of the registered construction workers in Hong Kong are above 50.

Average daily wage of construction workers for slope works in Hong Kong



Source: The Ipsos Report

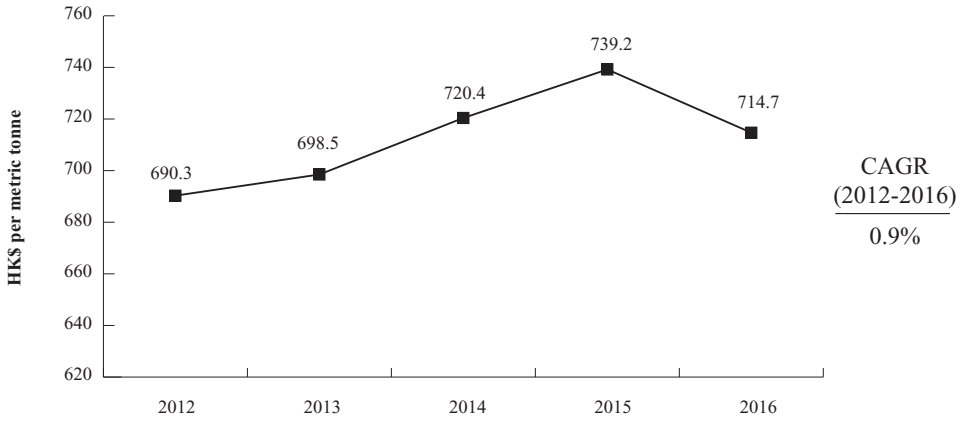
The average daily wage for workers involved in slope works projects increased from about HK$1,012.0 in 2012 to about HK$1,534.2 in 2016, with CAGR of approximately 11.0%. Given the existing difficulty of attracting and retaining a younger labour force in the construction sectors, the average daily wage of construction workers for slope works may increase further in the next five years in Hong Kong.

Fluctuating costs of raw materials and consumables: Various different construction materials and consumables are required for the performance of slope works, including in particular high-tensile steels and cement. Under our typical subcontracting arrangements, the costs of purchasing construction materials and consumables are normally borne by our subcontractors but in a limited number of cases, such purchase costs may be borne by us. Therefore, any material fluctuations in the costs of construction materials and consumables may affect our subcontracting charges and our direct costs.

Portland cement

According to the Ipsos Report, the average wholesale price of portland cement in Hong Kong increased moderately from approximately HK$690.3 per metric tonne in 2012 to approximately HK$714.7 per metric tonne in 2016, representing a CAGR of approximately 0.9%. The highest annual growth rate of about 3.1% was observed in 2012, as the governments in different countries implemented measures to restrict the oversupply of cement.

Average wholesale price of cement in Hong Kong



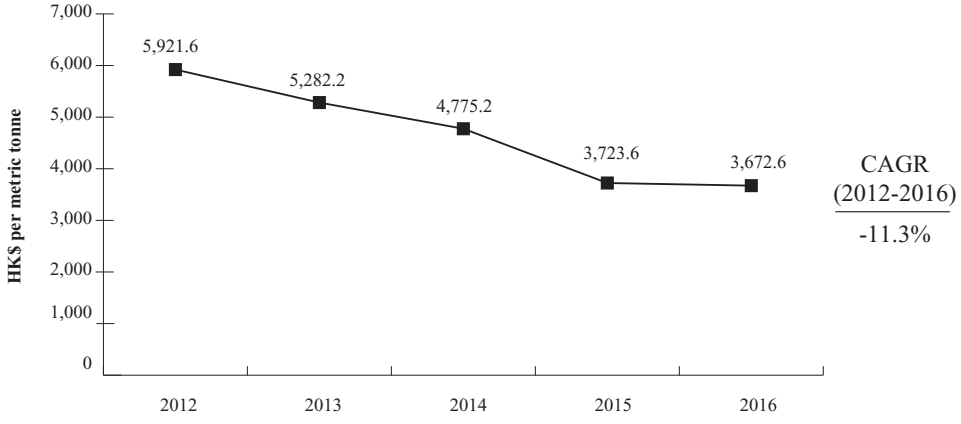
Source: The Ipsos Report

The average wholesale price of cement in Hong Kong has been affected by the measures implemented in different countries to restrict over-supply of cement, as well as the slow recovery of the global economy since the global financial crisis in 2008. The drop of the average wholesale price of cement in 2016 was attributed to a global slowdown of cement consumption, thus, the excessive cement production withheld the increase of average whole price in 2016. Nevertheless, the average wholesale price of cement in Hong Kong is likely to grow, due to, among other factors, the demand for construction works in Hong Kong, Macau and the PRC.

Steel reinforcement

The average wholesale price of steel reinforcement declined from approximately HK$5,921.6 per metric tonne in 2012 to about HK$3,672.6 per metric tonne in 2016, representing a CAGR of approximately -11.3% during the observed period.

Average wholesale price of steel reinforcements (high tensile steel bars) in Hong Kong



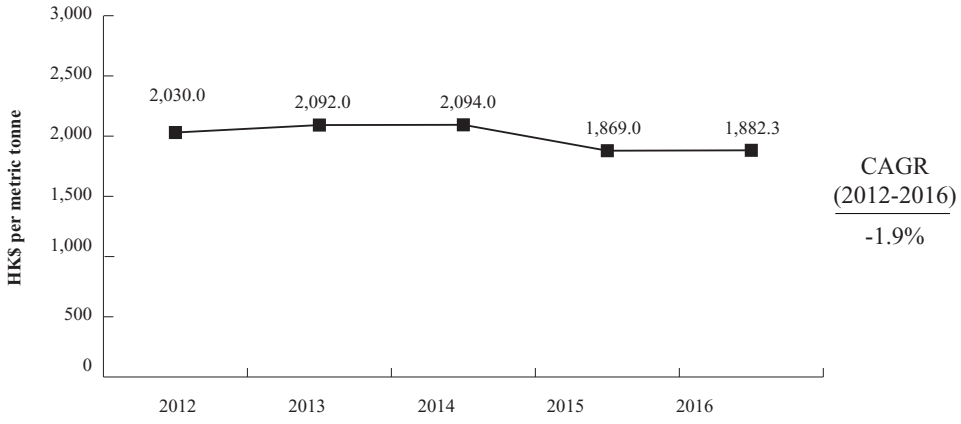
Source: The Ipsos Report

The downward trend of the average wholesale price of steel reinforcements (high tensile steel bars, 10mm to 40mm) in Hong Kong between 2012 and 2016 could be attributed to a number of factors, including the global drop in demand for construction work, the declining cost of iron ore and coking coal as a result of the slowdown of China's fixed capital investment growths and the over steel supply capacity in the global sphere. As of 2016, the rallies in steel could be attribute to the PRC government policies to stimulate property and construction industries. The market is relatively positive of the demand growth of steel in 2017 as steel price is expected to continue rising in recent future.

Diesel fuel

The average wholesale price of diesel fuel in Hong Kong declined slightly from an estimated HK$2,030.0 per 200 litre drum in 2012 to an estimated HK$1,882.3 per 200 litre drum, representing a CAGR of approximately -1.9%.

Average wholesale price of diesel fuel in Hong Kong



Source: The Ipsos Report

Between 2012 and 2016, a slight decline of the diesel wholesale price was observed in Hong Kong, largely due to a decreased consumption of diesel amid the slow recovery of the global economy, the slump of crude oil price since mid-2014 and the lower than expected growth in major emerging economies including the PRC.

This section sets out a summary of the principal laws and regulations of Hong Kong which are applicable to our Group's business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

LABOUR, HEALTH AND SAFETY

As our Group is principally engaged in construction and engineering work involving the provision of services by subcontractors and employment of workers, we are subject to the laws and regulations in relation to labour, health and safety.

Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

Under the Construction Workers Registration Ordinance, "construction work" means, among other things, any building operation involved in preparing for any operation such as the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure. "Construction site" means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Constructions Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course; and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

The Construction Workers Registration Ordinance also contains a "designated workers for designated skills" provision, which provides that only registered skilled or semi-skilled workers of designated trade divisions are permitted to carry out construction works on construction sites relating to those trade divisions independently.

Unregistered skilled or semi-skilled workers are only allowed to carry out construction works of designated trade divisions (i) under the instruction and supervision of registered skilled or semi-skilled workers of relevant designated trade division(s); (ii) in proposed emergency works (i.e. construction works which are made or maintained consequential upon the occurrence of emergency incidents); or (iii) in small-scale construction works (e.g. value of works not exceeding HK$100,000).

Stage 1 of the "designated workers for designated skills" provision, of which "designated works" will include construction, re-construction, addition, alternation and building services works, has been implemented with immediate effect from 1 April 2017.

Upon implementation of Stage 1 of the "designated workers for designated skills" provision pursuant to the Construction Workers Registration Ordinance, registered skilled and semi-skilled workers for designated trade divisions shall be included as registered construction workers of the Register of Construction Workers, and accordingly, subcontractors of construction sites are required to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out construction works on construction sites in relation to those trade divisions independently.

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 to workers in the industrial undertakings. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking, including factories, construction work, catering establishments, cargo and container handling undertakings, repair workshops and other industrial workplaces, 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 extend to include:–

- providing and maintaining plant and work systems that do not endanger safety or health;

- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;

- providing all necessary information, instructions, training and supervision for ensuring safety and health;

- providing and maintaining safe access to and egress from the workplaces; and

- providing and maintaining a safe and healthy working environment.

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 any of these requirements willfully and without reasonable excuse commits an offence and is liable to a fine of HK$500,000 and to imprisonment for 6 months.

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides since 1 May 2001 every proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. A proprietor who contravenes this section commits an offence and is liable to a fine of HK$50,000.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the construction, maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety

of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) 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 up to HK$200,000 and imprisonment up to 12 months.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong) (the "**Safety Management Regulation**"), any contractor in carrying out construction works with a contract value of HK$100 million or more or having an aggregate of 100 or more workers in a day working in a single or two or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months.

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. For details, please refer to the section headed "Business – Occupational health and safety" in this document.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must, as far as reasonably practicable ensure the safety and health in their workplaces by attending to the following:

- 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 plant or substances;

- as regards any workplace under the employer's control:

  - provision and maintenance of the workplace in a condition that is safe and without risks to health; and

  - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;

- providing all necessary information, instructions, training and supervision for ensuring safety and health; and

- providing and maintaining a working environment for the employees that is safe and without risks to health.

An employer who fails to comply with any of the above provisions intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for 6 months.

The Commission for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury to the employees. Failure to comply with an improvement notice without reasonable excuse constitutes an offence punishable by a fine of HK$200,000 and imprisonment of up to 12 months and failure to comply with a suspension notice without reasonable excuse constitutes an offence punishable by a fine of HK$500,000 and imprisonment of up to 12 months, and to a further fine of $50,000 for each day or part of a day during which the employer knowingly and intentionally continues the non-compliance or contravention.

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. For details, please refer to the section headed "Business – Occupational health and safety" in this document.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and sets out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

According to Section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 or 14 days (as the case may be) then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Pursuant to Section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to

pay compensation to the injured employee. The employees employed by the subcontractors in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

According to Section 40 of the Employees' Compensation Ordinance, all employers (including 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).

Section 40(1B) of the Employees' Compensation Ordinance provides that where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured 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 2 years; and on summary conviction to a fine of HK$100,000 and to imprisonment for 1 year.

For our insurance coverage in this connection, please refer to the section headed "Business – Insurance" in this document. For the information of employees' compensation claims and common law personal injury claims experienced by our Group during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed "Business – Litigation and potential claims" in this document.

Limitation Ordinance (Chapter 347 of the Laws of Hong Kong)

Under the Limitation Ordinance, the time limit for an applicant to commence common law claims for personal injuries is three years from the date on which the cause of action accrued.

For information regarding the potential common law claims for personal injuries which were within the three year period and which might be brought against our Group as at the Latest Practicable Date, please refer to the section headed "Business – Litigation and potential claims" of this document.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to Section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an 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. The liability of a principal contractor and superior subcontractor(s) (where applicable) shall be limited to:

(a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and

(b) the wages due to such an employee for 2 months without any deductions (such months shall be the first 2 months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days (or such other additional period not exceeding 90 days as the Commissioner for Labour may permit) after the date on which the wages become due. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware.

A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine of HK$50,000.

Pursuant to 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, the wages so paid 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 who pays an employee any wages under section 43C of the Employment Ordinance may either (1) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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 or other property.

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

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

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

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

Please refer to the section headed "Business – Employees – Requirements under the Immigration Ordinance" in this document for measures implemented by our Group for compliance with the aforesaid requirements under the Immigration Ordinance.

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$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract (whether contract was entered into before, on or after this Minimum Wage ordinance) which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

Employers are required to enroll their employees (except for certain exempt persons) who are at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund ("**MPF**") scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK$25,000 and HK$7,100 per month respectively before 1 June 2014 or HK$30,000 and HK$7,100 per month respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK$1,250 before 1 June 2014 or HK$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK$25,000 per month before 1 June 2014 or HK$30,000 on or after 1 June 2014).

Industry scheme

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

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories:

(1) foundation and associated works;

(2) civil engineering and associated works;

(3) demolition and structural alteration works;

(4) refurbishment and maintenance works;

(5) general building construction works;

(6) fire services, mechanical, electrical and associated works;

(7) gas, plumbing, drainage and associated works; and

(8) interior fitting-out works.

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

As our construction projects involve the employment of "casual workers", the Industry scheme is applicable to our business and practice.

ENVIRONMENTAL PROTECTION

We are also subject to the laws and regulations in connection with environmental protection as our construction activities involve operation of machineries and disposal of wastes.

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling 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 without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The

contractor responsible for a construction site shall devise, arrange methods of working and carrying 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. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)

Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation provides for the control of emission from non-road mobile machinery.

According to the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (the "**NRMM Regulation**"), non-road mobile machinery, unless approved or exempted, are required to comply with the prescribed emission standards. All regulated machines sold or lease for used in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department. Starting from 1 December 2015, only approved or exempted non-road mobile machinery with a proper label are allowed to be used in specified activities and locations including construction sites. The Environmental Protection Department may on application, approve a regulated machine if it is satisfied that the emission from the machine conforms to the prescribed emission standard.

In addition, the Environmental Protection Department may, on application, exempt a regulated machine or non-road vehicle from the application of section 4(1), 5(1) or 6(1) of the NRMM Regulation if it is satisfied that the machine or vehicle is in Hong Kong at any time on or before 30 November 2015.

According to the NRMM Regulation, unless the machine is approved, a person who uses or causes to be used a regulated machine in a specified activity commits an offence and is liable on conviction to a fine of up to HK$200,000.00 and to imprisonment for 6 months. Any person who uses or causes to be used in a specified activity a regulated machine that is approved or exempted without ensuring that the label complies with the requirements specified in Schedule 2 of the NRMM Regulation and is painted or affixed on the machine and properly maintained in accordance with the requirements specified in Schedule 2 of the NRMM Regulation or without ensuring that the information set out in the label conforms with the information provided to the authority in support of the application for the approval or exemption of the machine commits an offence and is liable on conviction to a fine of up to HK$50,000 and to imprisonment for 3 months.

On 8 February 2015, the Development Bureau issued a Technical Circular (Works) No. 1/2015 in relation to the implementation plan to phase out the use of exempted non-road mobile machineries for four types of non-road mobile machineries, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public work including design and build contracts, with an estimated contract value exceeding HK$200 million as follows:

	Phase 1 Tenders to be invited from 1 June 2015 to 31 May 2017	**Phase 2 Tenders to be invited from 1 June 2017 to 31 May 2019**	**Phase 3 Tenders to be invited from 1 June 2019 onwards**
Generators	No exempted NRMM is allowed		
Air Compressors	No exempted NRMM is allowed		
Excavators	Exempted NRMM shall not exceed 50% of all units on site	Exempted NRMM shall not exceed 20% of all units on site	No exempted NRMM is allowed
Crawler Cranes	Exempted NRMM shall not exceed 50% of all units on site	Exempted NRMM shall not exceed 20% of all units on site	No exempted NRMM is allowed

As at the Latest Practicable Date, our Group has owned two regulated machines (being a generator and an air compressor) which were exempted with a proper label issued by the Environmental Protection Department.

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

The Noise Control Ordinance provides statutory controls, among others, to restrict and reduce the nuisance caused by environmental noise from construction, industrial and commercial 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 director of the Environmental Protection Department in advance.

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

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK$100,000 and on second or subsequent convictions 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.

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

The Water Pollution Control Ordinance controls the effluents discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industries/trades generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the director of Environmental Protection Department.

All discharges, other than domestic sewage to a foul sewer or unpolluted water to a storm 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.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone 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 6 months and (a) for a first offence, a fine of HK$200,000; (b) 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 controls and regulates the production, storage, collection and disposal including treatment, reprocessing and recycling of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong), the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) and the Waste Disposal (Charges for Disposal of Chemical Waste) Regulation (Chapter 354J of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK$1 million or above will be required to establish a billing account with the Environmental Protection Department

to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract, within 21 days after the contract is awarded.

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 a licence from the director of Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable (a) to a fine of HK$200,000 and to imprisonment for 6 months for the first offence, (b) to a fine of HK$500,000 and to imprisonment for 2 years for a second or subsequent offence, and (c) in addition, if the offence is a continuing offence to a fine of $100,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

COMPETITION ORDINANCE

The Competition Ordinance that commenced full operation on 14 December 2015 (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong; (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matter.

First Conduct Rule

The "First Conduct Rule" prohibits anti-competitive agreements, practices and decisions. It provides that an undertaking must not (i) make or give effect to an agreement; (ii) engage in a concerted practice; or (iii) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Serious anti-competitive conduct includes (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging.

Second Conduct Rule

The "Second Conduct Rule" prohibits the abuse of market power. It provides that an undertaking that has a substantial degree of market power in a market must not abuse such power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. This conduct may in particular, constitute an abuse of such market power if it involves predatory behavior towards competitors or limiting production, markets or technical development to the prejudice of consumers. Matters that may be taken into consideration when determining whether an undertaking has a substantial degree of market power in a market include (i) the market share of the undertaking; (ii) the undertaking's power to make pricing and other decisions; and (iii) any barriers to entry to competitors into the relevant market.

The First Conduct Rule and the Second Conduct Rule apply to all sectors of the Hong Kong economy, including construction industry clients, contractors and subcontractors. Therefore, our Group is subject to Competition Ordinance generally.

Merger Rule

The "Merger Rule" prohibits anti-competitive mergers and acquisitions. At present, the Merger Rule only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Penalty

In the event of contravention of a competition rule, the Competition Tribunal may (i) on application by the Competition Commission, impose pecuniary penalty of any amount it considers appropriate subject to a maximum of 10% of the turnover of the of the undertaking concerned for each year in which the contravention occurred for each single contravention (if the contravention occurred in more than three years, 10% of the turnover of the undertaking for the three years that saw the highest, second highest and third highest turnover); (ii) on application by the Competition Commission, make an order disqualifying a person from being a director of a company or from otherwise being concerned in the affairs of a company; (iii) make orders it considers appropriate, including but not limited to prohibiting an entity from making or giving effect to an agreement, requiring modification or termination of an agreement, requiring payment of damages to a person who has suffered loss or damage as a result of the contravention.

CONTRACTOR LICENSING REGIME AND OPERATION

Geotech Engineering, our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the categories of "Landslip preventive/ Remedial works to slopes/Retaining walls" (confirmed status), "Site formation" (Group B probationary status) and "Ground investigation field work" (Group I status). Therefore, we are subject to the following laws and regulations.

Private sector slope works, foundation works and other general building works projects in Hong Kong

Private sector slope works, foundation works and other general building works are projects launched by private developers as well as any other entities not being Government departments and statutory bodies.

Pursuant to section 9 of the Buildings Ordinance, a contractor who carries out private sector slope works, foundation works and other general building works is required to register with the Building Authority as a Registered Specialist Contractor under the sub-register of "Site Formation Works" and "Foundation Works" categories, or appoint a Registered Specialist Contractor under the relevant categories to carry out the specialised works for him.

A Registered Specialist Contractor appointed to carry out specialised works is required to, among others, provide continuous supervision to the carrying out of the works in accordance with his supervision plan and to notify the Building Authority of any contravention of the regulations that would result from carrying out the works shown in the plan approved by the Building Authority for the works, in accordance with section 9 of the Buildings Ordinance.

The requirements mentioned above are the basic requirements for undertaking private sector slope works, foundation works and other general building works projects. Other additional requirements on the main contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

Contractor Licensing Regime

Under the current contractors registration system in Hong Kong, the Building Authority keeps (a) a register of general building contractors who are qualified to perform the duties of a general building contractor; (b) a register of specialist contractors who are qualified to carry out specialised works (such as demolition works, foundation works, ground investigation works, site formation works and ventilation works) specified in the category in the sub-register in which they are entered; and (c) a register or provisional register of minor works contractors who are qualified to carry out minor works (such as alteration and addition works, repair works, etc.) belonging to the class, type and item specified in the register in which they are registered.

Subcontractors, including foundation and substructure construction subcontractors, in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council.

Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered general building contractor or registered specialist contractor must satisfy the Building Authority on the following aspects:

(a) if it is a corporation, the adequacy of its management structure;

(b) the appropriate experience and qualifications of its personnel;

(c) his/her ability to have access to plants and resources; and

(d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

In considering each application, the Building Authority is to have regard to the qualifications, competence and experience of the following key personnel of the applicant:

(a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as an "Authorised Signatory";

(b) for a corporation – a minimum of one director from the board of directors of the applicant, hereinafter referred to as a "Technical Director" who is authorised by the board to:

(i) have access to plant and resources;

(ii) provide technical and financial support for the execution of building works and street works; and

(iii) make decisions for the company and supervise the Authorised Signatory and other personnel;

for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

(c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works – an "Other Officer" authorised by the board of directors to assist the Technical Director.

Mr. Cheung is appointed as the Authorised Signatory and Mr. Shen Jui Ming is appointed as the Technical Director to act for the purpose of the Buildings Ordinance for Geotech Engineering. Mr. Shen obtained a Master of Science in Soil Mechanics from the Imperial College of Science and Technology (now known as Imperial College London) in November 1975. Mr. Shen also has over 36 years of experience in the industry including 21 years working for the Hong Kong Government as a Geotechnical Engineer (with his last position as Chief Geotechnical Engineer prior to his retirement from that position). Mr. Shen joined our Group in 2001.

In the event that Mr. Cheung and Mr. Shen are otherwise unavailable, we have the following succession and contingency plan in place:

- As at the Latest Practicable Date, Mr. Kung and Ms. Tang, being two of our executive Directors, each possess the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the position of Authorised Signatory and/or Technical Director of Geotech Engineering. For details of their biography, please refer to the section headed "Directors and senior management" in this document. We are also able to engage other suitable persons on the market to serve in such roles.

- When necessary, applications will be made to the Buildings Department for Mr. Kung, Ms. Tang and/or other suitable persons to take up such role as Authorised Signatory and/or Technical Director of Geotech Engineering.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff members to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works. For registration as a registered specialist contractor, the applicant must satisfy the Buildings Department that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

The Buildings Department imposes specific requirements on the directors of a contractor and the person appointed by the contractor to act for it for the purposes of the Buildings Ordinance.

Public sector slope works, foundation works and other general building works projects in Hong Kong

For public sector projects, contractors responsible for LPM and/or land piling works are, among others, required to be listed under List of Approved Specialist Contractors for Public Works maintained by the WBDB, and with the Buildings Department as Registered Specialist Contractors under the sub-register categories of "Foundation Works" and "Site Formation Works".

Generally speaking, as long as the principal contractor holds all the required registrations for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, being registered on the Subcontractor Registration Scheme at the Construction Industry Council is required for subcontractors to participate in public projects commissioned by certain Government departments and statutory bodies, including the Airport Authority, Development Bureau and the Housing Authority.

Pursuant to a technical circular issued by the WBDB (the Environment, Transport and Works Bureau at the time of issue of the technical circular) on 14 June 2004, all capital works and maintenance works contracts of the government with tenders to be invited on or

after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Primary Register of the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry Co-ordination Board whose work was taken over by the Construction Industry Council in February 2007.

Set out below is a summary of further requirements set out in the Contractor Management Handbook – Revision B published by the Development Bureau for our major licences and qualifications required to undertake public sector projects, being for a contractor listed under the categories of "Landslip preventive/Remedial works to slopes/ Retaining walls" and "Ground Investigation field works" of the List of Approved Specialist Contractors for Public Works.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the List of Approved Specialist Contractors for Public Works, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group. In granting a registration/approval to a contractor, the WBDB takes into consideration, among others, (i) the contractor's financial strength; (ii) the contractor's technical experience and management capability; (iii) the machinery and equipment maintained by the contractor; and (iv) the job references from customers.

Pursuant to Technical Circular (Works) No. 10/2004 issued by the ETWB on 25 May 2004, in selective tendering, a tender will not be considered unless the contractor has met certain qualification requirements, for example, it is on a particular list of approved contractors and not being suspended from tendering.

Contractors in the list of approved contractors for public works, unless suspended, may tender for public works contracts in the works categories and groups for which they are approved, whereas specialist contractors in the List of Approved Specialist Contractors for Public Works, unless suspended, may tender for public works contracts in the works categories, classes and groups for which they are approved.

"Landslip preventive/remedial works to slopes/retaining walls" category

The scope of work in this category covers landslip preventive works, remedial works or formation works of slopes and/or retaining walls in areas immediately behind occupied structures, adjacent to railway lines or major trunk roads. Contractors included in the List of Approved Specialist Contractors for Public Works for "Landslip preventive/Remedial works to slopes/Retaining walls" category but have not yet achieved confirmation status are considered to be probationary contractors.

A probationary contractor may take on not more than 2 government contracts tendered under the "Landslip preventive/Remedial works to slopes/Retaining walls" category with total outstanding value of works of not greater than HK$114 million.

For admission and retention as an approved contractor on the List of Approved Specialist Contractors for Public Works in the category of "Landslip preventive/remedial works to slopes/retaining walls" category, a contractor is required to meet the minimum financial criteria and other requirements as follows:

1. Minimum employed capital

HK$8,600,000.

2. Minimum working capital

HK$8,600,000 if no outstanding contracts. If there are outstanding contracts, the minimum working capital may vary based on the conditions of the contractor such as its employed or working capital and whether it is Group C contractor on the Approved Public Works Contractors List. For a contractor that has both employed and working capital not less than HK$4.2 million respectively such as our Group, such minimum working capital is the higher of HK$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors.

3. Minimum technical and management criteria/other requirements

(a) The applicant must be registered in the list of Registered Specialist Contractor for the sub-register of "Site Formation Works" category of the Buildings Department.

(b) Either ISO certification or if they do not have suitable works contracts in hand for certification auditing, a confirmation from a certification body accredited by the Hong Kong Accreditation Service to issue the certification or considered to be equivalent by the Development Bureau that a full review of the quality manual of their Hong Kong office has been carried out in Hong Kong by the certification body and such Quality Manual has been confirmed by the certification body as being in conformity with the requirements of the relevant ISO standard. The scope of certification should include landslip preventive/remedial works to slopes/ retaining walls.

(c) The applicant must achieve the minimum passing scores for the aggregate mark of the assessment and for individual or combined sections of the assessment in the following attributes:

i. Experience and performance on Government contracts on Roads & Drainage and/or Site Formation categories (Group B or above) in the past 3 years.

ii. Experience and performance on landslip preventive, remedial or formation works of slopes and/or retaining walls in areas immediately behind occupied structures, adjacent to railway lines or public roads in the past 3 years.

iii. Experience, availability and organization of managerial, professional, technical and site safety staff with particular emphasis on landslip preventive measures type works.

iv. Availability of plant and equipment for LPM type works.

"Ground Investigation field works" category

The scope of work in this category covers ground investigation field work for Government projects.

If a contractor is included in "Group I" of the List under this category, it can undertake contracts/subcontracts of up to HK$2.3 million.

1. Minimum employed capital

HK$570,000.

2. Minimum working capital

HK$570,000.

3. Minimum technical and management criteria/other requirements

(a) The applicant must be able to provide references to ground investigation works (each of value exceeding HK$0.5 million) carried out by the applicant for at least 5 projects in Hong Kong in the 3 years preceding the application and receive no adverse reports, on enquiry by CEDD. These performance reports must be prepared by at least 3 different engineering consultants who have supervised the works.

(b) The applicant must employ sufficient full-time approved personnel who satisfy the minimum requirements as given in Annex 15 of the Contractor Management Handbook – Revision B published by the Development Bureau.

(c) The applicant must own at least four rigs in Hong Kong, and all of them shall be capable of drilling at least 40m through soil or rock. The applicant must also own equipment capable of obtaining soil and rock samples, carrying out in-situ tests (including SPT, GCO probing, impression packer, rising, falling and constant head permeability, packer (water adsorption), and vane shear) and installing standpipe piezometers. All equipment should be calibrated and subject to periodic recalibration and maintenance.

Regulatory actions against contractors by the Development Bureau

The Development Bureau may take regulatory actions against contractors in circumstances including but not limited to failure to submit accounts or meet the financial criteria within prescribed time, unsatisfactory performance, failure to submit a valid competitive tender for a period of three years, failure to answer queries or provide information relevant to the listing status of a contractor on the List of Approved Contractors for Public Works and/or the Specialist List within the prescribed time, misconduct or suspected misconduct, winding-up, bankruptcy or other financial problems, poor site safety

record, failure or refusal to implement an accepted tender, poor environmental performance and court convictions, such as contravention of site safety legislation and the Employment Ordinance and employment of illegal works.

For instance, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category) of the contractor's licence, depending on the seriousness of the incident triggering the regulatory actions. Any contractor convicted of three or more offences under the Employment Ordinance, in respect of separate incidents in a rolling 12-month period, shall be compulsorily and automatically suspended from tendering for public works for six months.

Contractors' Performance Index System

A Contractors' Performance Index System was established by then Environment, Transport and Works Bureau ("**ETWB**") of the Government (formerly a policy bureau of the Government, the duties of which are now taken over by the Environment Bureau, Transport and Housing Bureau and WBDB following the reorganisation of the Policy Bureau and Government Secretariat) in 2000 to provide a ready indication of contractors' performance standard for reference by the project office and relevant tender board in tender evaluation.

Under the Contractors' Performance Index System, the performance of a contractor is represented by a performance rating which is derived from the performance scores given in all the reports written on the performance of the contractors in Government works contracts in the preceding 12 3-month reporting periods. The performance score of a contractor's performance report is determined by the percentage of the scores attained by the contractor over the maximum scores in 11 different attributes (where applicable), including but not limited to workmanship, progress, site safety, environmental pollution control, organisation, general obligations, industry awareness, resources, design, attendance to emergency and attitude to claims.

The performance ratings are not publicly viewable. Instead, each contractor on the List of Approved Specialist Contractors for Public Works will be advised of its performance rating in the form of a letter by post. The aforesaid letter from WBDB sets out the maximum, minimum, median and average ratings of contractors rated under each specific group of the relevant categories during the reporting period. Pursuant to the Technical Circular (Works) No. 3/2007 issued by the ETWB and No. 3/2007A issued by the Development Bureau on 12 March 2007 and 28 November 2013 respectively, the performance rating of a contractor is based on a scale of 0 to 100 and there is no passing mark defined in the Contractors' Performance Index System. However, if a contractor's current performance rating falls below 40, or if there is an obvious and consistent downward trend, a closer examination of the contractor's past performance should be carried out and full justification must be provided before its tender is recommended for acceptance.

Pursuant to the Technical Circular (Works) No.4/2014 issued by the Development Bureau, under the "formula approach", the tender price and the tenderer's past performance are taken into account when evaluating a tender for public works contracts. With respect to each conforming tender, an overall score will be determined in accordance with a formula where 60% of the overall score is calculated based on the tender price and 40% of the overall score is calculated based on the tenderer's performance rating under the Contractors' Performance Index System and the tenderer's safety rating based on its past accident rates under public works contracts. The tender with the highest overall score is normally recommended for acceptance, subject to the usual requirement that the relevant Government department is satisfied that the recommended tenderer is fully capable (including technically, commercially and financially) of undertaking the contract.

Geotech Engineering's quarterly performance ratings as appraised by WBDB were above the industry averages in the recent 14 consecutive quarters up to the first quarter of 2017 (for further details, please refer to the paragraph headed "Business – Awards, recognitions and performance ratings" – Our performance ratings under the Contractors' Performance Index System" in this document).

Security of Payment Legislation for the Construction Industry

The Government has conducted a public consultation on the proposed security of payment legislation for the construction industry to promote fair payment and help main contractors, subcontractors, consultants, sub-consultants and suppliers to receive payment on time for work done and services provided, so as to improve payment practices and provide rapid dispute resolution. The Government will proceed with the legislative work with the aim of introducing the bill to the Legislative Council of Hong Kong in 2017.

According to the results of the public consultation on the proposed SOPL released by the Legislative Council Panel on Development in April 2016, the following major issues are with positive support and broad directions:

(a) For the scope of application, SOPL shall (i) apply to all construction works and consultancy contracts in the public sector entered into by the Government and 31 specified statutory and/or public bodies and corporations; (ii) apply to all subcontracts at all tiers irrespective of contract value where it applies to the main contract; and (iii) cover contracts for supply of materials or plant.

(b) For the payment arrangement, (i) parties shall be free to agree when payments can be claimed and the basis of valuation work or services except that the duration for payment shall not exceed 60 calendar days for both interim and final payments; (ii) default payment terms will apply if the parties do not make express provisions in their contracts; and (iii) paying parties who fail to serve payment response within 30 calendar days of receipt of a payment claim which they are entitled to serve shall not be automatically liable to the full amount of the payment claim but will not be able to raise any set off against amounts properly due against the payment claim.

(c) "Pay when paid" type contractual clauses shall be rendered ineffective even when the reason for non-payment is insolvency higher in the supply chain.

(d) For suspension on non-payment, unpaid parties (i) shall have the right to suspend or reduce progress of work; (ii) must give written notice of their intention to suspend to the non-paying parties and take reasonable steps to notify the site owner; and (iii) shall be entitled to costs and additional time in respect of delay and disruption arising from the suspension.

(e) For dispute resolution, both parties shall have the right to refer payment-related disputes to adjudication and the time limit for commencing adjudication shall be within 28 calendar days of such dispute arises, whereas no time limit shall be imposed for commencing adjudication for disputes on time for performance or entitlement to extension of time for performance. The adjudicator shall publish its decision within 55 working days of appointment and such decision shall be enforced in the same way as court judgments.

The Government will further consider whether (i) the coverage in the private section should be limited to contracts for "new buildings" (as defined in the Buildings Ordinance) with original contract value exceeding HK$5 million, including extension to repair, maintenance, alternation and addition works; (ii) SOPL shall cover oral, partly oral and written contracts; (iii) SOPL shall cover contracts for professional services; (iv) "pay when paid" clauses should be rendered ineffective in nominated subcontracts; and (v) whether parties should be entitled to refer disputes on time for performance or entitlement to extension of time for performance to adjudication.

It is probable that some of our contracts will be caught by the SOPL and where such contracts are subject to SOPL we will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process, however, there are still uncertainties on the final legislative framework to be submitted to the Legislative Council for consideration and approval. SOPL will ensure we get paid in a timely manner if it applies.

Compliance with the relevant requirements

Our Directors confirmed that our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date.

OVERVIEW

The history of our Group can be traced back to 1994 when Geotech Engineering was incorporated to undertake civil engineering and construction works in Hong Kong. Since 1998, Geotech Engineering has been an approved specialist contractor in the industry. In August 2000, Geotech Engineering undertook the first slope works contract in Hong Kong. When Mr. Yau became a shareholder of Geotech Engineering, his subscription of shares was funded by his own personal funds.

Mr. Cheung is an acquaintance of Mr. Yau and joined Geotech Engineering since May 1997 as a director of Geotech Engineering. In October 2001, Mr. Cheung became the shareholder and holds 50% interests of Geotech Engineering after the acquisition of shares from an independent third party and subscription of new shares with his own personal funds.

Mr. Kung and Ms. Tang joined our Group in 2001 and 2005 respectively. Their abilities and contributions to our Group were recognised by Mr. Yau and Mr. Cheung. With the invitation by Mr. Yau and Mr. Cheung, in October 2005, Mr. Kung and Ms. Tang became the shareholders of our Group by incorporation of GeoResources together with Mr. Yau and Mr. Cheung with their own personal funds. Each of Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang holds 30%, 30%, 20% and 20% interests of GeoResources respectively.

Mr. Yau also incorporated Richway in May 2010 and Yau Wing in January 2011 for the development of our Group, which solely undertook slope works projects from Geotech Engineering and U-Win. Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang are together responsible for the management of Richway and Yau Wing since its incorporation respectively.

Over the past 20 years of experience in civil engineering industry, our Group has grown from a subcontractor of civil engineering works to specialise as a major contractor of slope works in Hong Kong. As at the Latest Practicable Date, Geotech Engineering is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the categories of "Landslip preventive/remedial works to slopes/retaining walls" (confirmed status), "Site formation" (Group B probationary status) and "Ground investigation field work" (Group I status). We have received a number of licence and awards recognitions.

Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang have been acting in concert with each other in respect of all operational and financial matters and major decisions of the operating subsidiaries of our Group and have confirmed this arrangement in the Concert Party Deed (for details, please refer to the section headed "Relationship with the Controlling Shareholders – Concert Party Deed" in this document). For details of the qualifications and experience of Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang, please refer to the section headed "Directors and senior management" in this document.

BUSINESS DEVELOPMENT AND KEY MILESTONES

The following table summarises key milestones of our Group's development from inception to the present scale of operations:

Year	Event
1998	In November 1998, Geotech Engineering was included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under the category of Group B (probationary) "Site Formation".
1998	In November 1998, Geotech Engineering was included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under the category of probationary "Landslip prevention/remedial works to slopes/retaining walls".
2000	In June 2000, Geotech Engineering was registered under the Buildings Ordinance as a Registered Specialist Contractors under the sub-register of "Site Formation Works" category.
	Geotech Engineering obtained the ISO 9001:2008 certification.
2004	Geotech Engineering was registered under the Buildings Ordinance as a Registered Specialist Contractors under the sub-register of "Ground Investigation Field Works" category in July 2004.
2008	In February 2008, Geotech Engineering was awarded the first-runner up in the Best Landslip Preventive Measures Contractor Competition 2007 under the Landslip Preventive Mitigation Programme organised by CEDD.
2009	In February 2009, Geotech Engineering was awarded the second-runner up in the Best Landslip Preventive Measures Contractor Competition 2008 under the Landslip Preventive Mitigation Programme organised by CEDD.
2011	In January 2011, Geotech Engineering was awarded the second-runner up in the Best Landslip Preventive Measures Contractor Competition 2010 under the Landslip Preventive Mitigation Programme organised by CEDD.
	In October 2011, Geotech Engineering was included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under the category of Group I "Ground Investigation Field Work".
2012	In February 2012, Geotech Engineering was awarded the second-runner up in the Best Landslip Preventive Measures Contractor Competition 2011 under the Landslip Preventive Mitigation Programme organized by CEDD.
2013	In February 2013, Geotech Engineering was awarded the second-runner up in the Best Landslip Preventive Measures Contractor Competition 2012 under the Landslip Preventive Mitigation Programme organized by CEDD.
2016	In February 2016, Geotech Engineering was awarded the Winner of Best LPM Contractor Competition 2015 organized by CEDD.
	Geotech Engineering obtained the ISO 14001:2004 and OHSAS 18001: 2007 certifications.
2017	In February 2017, Geotech Engineering was awarded the Winner of Best LPM Contractor Competition 2016 organized by CEDD.

For further details of the awards and recognitions received by our Group, please refer to the section headed "Business – Awards, recognitions and performance ratings" in this document.

OUR MAJOR OPERATING SUBSIDIARIES

Our Group consists of our Company, our principal operating subsidiary, Geotech Engineering and our other operating subsidiaries, namely GeoResources, Richway and Yau Wing. Set out below is the corporate history of our Company and our subsidiaries.

Geotech Engineering

Geotech Engineering, our principal operating subsidiary, was incorporated as a company with limited liability in Hong Kong on 19 July 1994 with the issued share capital of HK$10 divided into 10 shares with nominal value of HK$1.00 each. Geotech Engineering commenced business in around 1994. At incorporation, Geotech Engineering was owned as to 40% by Mr. Yau and 60% by two independent third parties. Between 1996 and 2001, various transfers of shares and allotment of shares of Geotech Engineering took place. In October 2001, Mr. Cheung became a shareholder of Geotech Engineering through acquisition from an independent third party and followed by subscription and allotment of new shares of Geotech Engineering. At that point, the share capital of Geotech Engineering was HK$10,000,000 divided into 10,000,000 ordinary shares with nominal value of HK$1.00 each, in which 50% shareholdings was owned by Mr. Yau and 50% shareholdings was owned by Mr. Cheung.

As part of the Reorganisation, on 24 June 2016, Mr. Yau and Mr. Cheung, as vendors, and Praise Marble, as purchaser, entered into a sale and purchase agreement pursuant to which Praise Marble acquired 5,000,000 shares and 5,000,000 shares of Geotech Engineering, representing all its issued shares in aggregate, from Mr. Yau and Mr. Cheung respectively, and in consideration thereof, Praise Marble in aggregate issued and allotted 88 shares in Praise Marble, credited as fully paid, to Flourish Team as instructed by Mr. Yau and Mr. Cheung. The entire equity interest of Geotech Engineering was held by Praise Marble.

The principal business of Geotech Engineering is to undertake slope works as main contractor.

GeoResources

GeoResources was incorporated by Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang as a company with limited liability in Hong Kong on 25 October 2005 with the issued share capital of HK$10,000 divided into 10,000 shares with nominal value of HK$1.00 each. At incorporation, GeoResources was owned as to 30% by Mr. Cheung, 30% by Mr. Yau, 20% by Mr. Kung and 20% by Ms. Tang.

As part of the Reorganisation, on 24 June 2016, Mr. Yau and Mr. Cheung, Mr. Kung and Ms. Tang as vendors, and Praise Marble, as purchaser, entered into a sale and purchase agreement pursuant to which Praise Marble acquired 3,000 shares, 3,000 shares, 2,000 shares

and 2,000 shares of GeoResources, representing all its issued shares in aggregate, from Mr. Yau and Mr. Cheung, Mr. Kung and Ms. Tang respectively, and in consideration thereof, Praise Marble in aggregate issued and allotted 8 shares in Praise Marble, credited as fully paid, to Flourish Team as instructed by Mr. Yau, Mr. Cheung and Mr. Kung; and 2 shares in Praise Marble, credited as fully paid, to Double Wink as instructed by Ms. Tang. The entire equity interest of GeoResources was held by Praise Marble.

The principal business of GeoResources is to undertake design, supply and construction of flexible barrier and the other slope works.

Richway

Richway was incorporated as a company with limited liability in Hong Kong on 10 May 2010 with the issued share capital of HK$1 divided into 1 share with nominal value of HK$1.00 and entirely owned by Company Kit Secretarial Services Limited. Mr. Yau acquired the entire interest of Richway from Company Kit Secretarial Services Limited on 7 June 2010.

As part of the Reorganisation, on 24 June 2016, Mr. Yau as vendor, and Praise Marble, as purchaser, entered into a sale and purchase agreement pursuant to which Praise Marble acquired 1 share of Richway, representing all its issued shares in aggregate, from Mr. Yau, and in consideration thereof, Praise Marble in aggregate issued and allotted 1 share in Praise Marble, credited as fully paid, to Flourish Team as instructed by Mr. Yau. The entire equity interest of Richway was held by Praise Marble.

The principal business of Richway is to undertake slope works mainly in urban area.

Yau Wing

Yau Wing was incorporated as a company with limited liability in Hong Kong on 21 January 2011 with the share capital of HK$1 divided into 1 share with nominal value of HK$1.00. Yau Wing was entirely owned by Mr. Yau.

As part of the Reorganisation, on 24 June 2016, Mr. Yau as vendor, and Praise Marble, as purchaser, entered into a sale and purchase agreement pursuant to which Praise Marble acquired 1 share of Yau Wing, representing all its issued share in aggregate, from Mr. Yau, and in consideration thereof, Praise Marble in aggregate issued and allotted 1 share in Praise Marble, credited as fully paid, to Flourish Team as instructed by Mr. Yau. The entire equity interest of Yau Wing was held by Praise Marble.

The principal business of Yau Wing is to undertake slope works mainly in rural area and open hillsides.

U-Win

U-Win was established as sole proprietorship by Mr. Yau in January 1988. U-Win has been inactive since October 2015 and its principal business was to undertake slope works from Geotech Engineering. As part of the Reorganisation, on 29 June 2016, Mr. Yau as

vendor, and Yau Wing, as purchaser, entered into an agreement for the sale and purchase of business of all the assets, liabilities and undertakings (other than any and all litigation cases) of U-Win to Yau Wing at a consideration of HK$4,967,000. Accordingly, upon completion of the aforesaid sale and purchase, the operating results of U-Win have been consolidated in our Group's audited combined financial information for the Track Record Period.

Praise Marble

Praise Marble was incorporated in the BVI as a company with liability limited by shares on 12 January 2016. Since the date of its incorporation, Praise Marble was authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. On 26 April 2016, an aggregate of 100 ordinary shares of par value US$1.00 each in Praise Marble were allotted and issued as fully paid as to 98 shares to Flourish Team and 2 shares to Double Wink. Since then, Praise Marble is 98% owned by Flourish Team and 2% owned by Double Wink.

On [●], the entire equity interest of Praise Marble was held by our Company.

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 June 2016. Please refer to the paragraph headed "A. Further information about our Company – 2. Changes in share capital of our Company" in Appendix IV to this document for details of changes in the share capital of our Company.

Upon completion of the Reorganisation, our Company became the holding company of our Group, details of which are set out in the paragraph headed "Reorganisation" in this section. The principal business of our Company is investment holding.

DE-REGISTRATION OF JOINT VENTURE

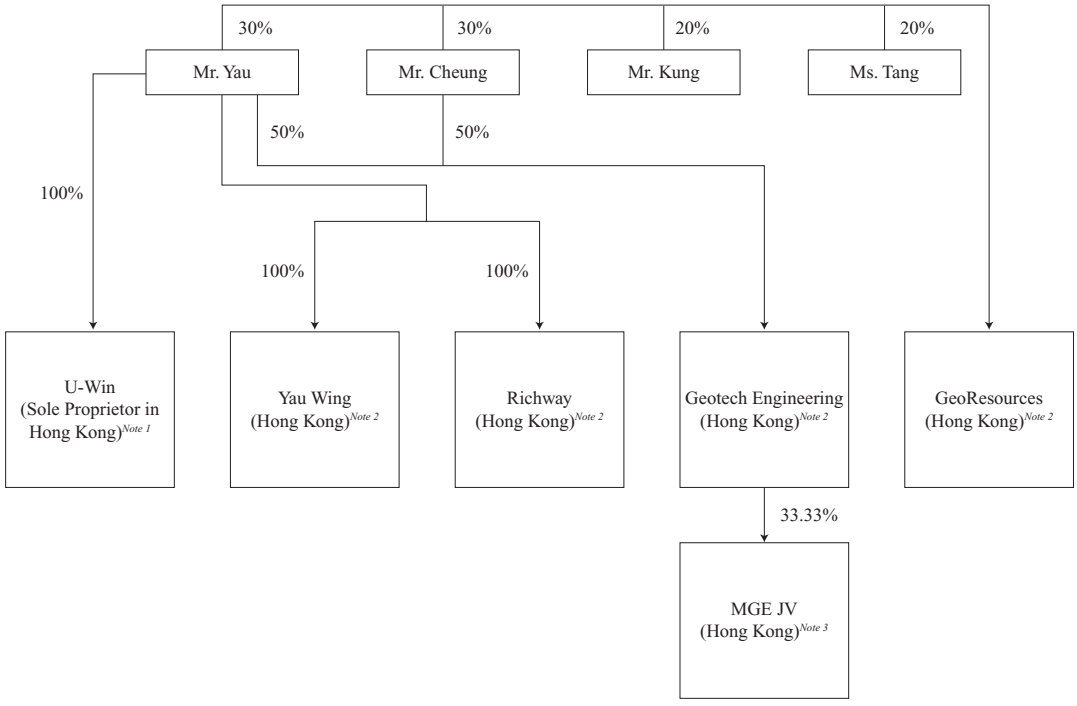
MGE JV

MGE JV, formerly known as Perfect Winning Engineering Limited, was incorporated as a company with limited liability in Hong Kong on 10 March 2010 with a share capital of HK$10,000 divided into three shares with nominal value of HK$1.00 each. At incorporation and up to its dissolution, MGE JV was owned as to approximately 33.33% by Geotech Engineering and the remaining interests were owned by Maxwell Geosystems Limited and Engineering Surveys Limited, two independent third parties in equal shares.

MGE JV was dissolved by de-registration under section 751 of the Companies Ordinance with effect from 15 September 2016. MGE JV was incorporated for a potential project but was never engaged in any business activity and there is no revenue recorded since its incorporation.

GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately before the Reorganisation:



Notes:

1. U-Win was established by Mr. Yau as sole proprietorship in January 1988. Pursuant to the agreement for sale and purchase of business dated 29 June 2016, all the assets, liabilities and undertakings (other than any and all litigation cases) of U-Win were transferred to Yau Wing.

2. Geotech Engineering is our principal operating subsidiary and its principal business activity is to undertake slope works as a main contractor. Our other operating subsidiaries are GeoResources, Richway and Yau Wing. GeoResources's principal business activity is to undertake design, supply and construction of flexible barrier and the other slope works. Richway's principal business activity is to undertake slope works mainly in urban area. Yau Wing's principal business activity is to undertake slope works mainly in rural area and open hillsides.

3. MGE JV was dissolved by de-registration under section 751 of the Companies Ordinance with effect from 15 September 2016. Prior to its dissolution, the remaining interest in MGE JV was owned by Maxwell Geosystems Limited and Engineering Surveys Limited, two independent third parties in equal shares.

REORGANISATION

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation whereby our Company became the ultimate holding company of our Group. The Reorganisation involves the following major steps:

Incorporation of Flourish Team and Double Wink

Each of Flourish Team and Double Wink was incorporated in the BVI with liability limited by shares on 10 December 2015 and 12 January 2016 respectively. Since the time of incorporation, each of Flourish Team and Double Wink is authorised to issue a maximum of 50,000 shares of one class of par value US$1 each. On 26 April 2016, Flourish Team allotted and issued 2,449, 2,449 and 102 ordinary shares, credited as fully-paid, to each of Mr. Yau, Mr. Cheung and Mr. Kung, for cash consideration. On the same day, 1 ordinary share of Double Wink, credited as fully paid, was allotted and issued to Ms. Tang, for cash consideration.

Incorporation of Praise Marble

Praise Marble was incorporated in the BVI with liability limited by shares on 12 January 2016. Since the time of incorporation, Praise Marble is authorised to issue a maximum of 50,000 shares of one class of par value US$1 each. On 26 April 2016, Praise Marble allotted and issued 98 and 2 ordinary shares, credited as fully paid, to each of Flourish Team and Double Wink, for cash consideration.

Incorporation of our Company

On 6 June 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. At the time of its incorporation, our Company had an authorised share capital of HK$100,000.00 divided into 10,000,000 Shares of par value HK$0.01 each, of which one nil-paid Share was allotted and issued to the initial subscriber, Reid Services Limited, which was then transferred to Flourish Team on the same day. On 6 June 2016, our Company issued and allotted 97 and 2 Shares, nil-paid, to each of Flourish Team and Double Wink.

Acquisition of Geotech Engineering, GeoResources, Richway and Yau Wing by Praise Marble

On 24 June 2016, Mr. Yau and Mr. Cheung, as vendors, and Praise Marble, as purchaser entered into a sale and purchase agreement, pursuant to which Praise Marble acquired 5,000,000 ordinary shares of Geotech Engineering from each of Mr. Yau and Mr. Cheung respectively, representing its entire number of issued shares in aggregate, at the consideration of HK$80,114,300 (which was determined with reference to the net assets value of Geotech Engineering as at 30 April 2016), and as settlement of the consideration, Praise Marble allotted and issued 88 ordinary shares in total, all credited as fully paid, to Flourish Team (with the instructions from Mr. Yau and Mr. Cheung respectively). Upon the completion of the above acquisition on 24 June 2016, Geotech Engineering became a wholly-owned subsidiary of Praise Marble.

On 24 June 2016, Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang, as vendors, and Praise Marble, as purchaser, entered into a sale and purchase agreement, pursuant to which Praise Marble acquired 3,000, 3,000, 2,000 and 2,000 ordinary shares of GeoResources from each of Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang respectively, representing its entire number of issued shares in aggregate, at the consideration of HK$16,382,800 (which was determined with reference to the net assets value of GeoResources as at 30 April 2016), and as settlement of the consideration, Praise Marble allotted and issued 8 ordinary shares, all credited as fully-paid, to Flourish Team (with the instructions from Mr. Yau, Mr. Cheung and Mr. Kung respectively) and 2 ordinary shares, all credited as fully-paid, to Double Wink (with the instructions from Ms. Tang). Upon the completion of the above acquisition on 24 June 2016, GeoResources became a wholly-owned subsidiary of Praise Marble.

On 24 June 2016, Mr. Yau, as vendor, and Praise Marble, as purchaser entered into a sale and purchase agreement, pursuant to which Praise Marble acquired 1 ordinary share of Richway (representing its entire number of issued share) and loan owed by Richway to Mr. Yau from Mr. Yau at the consideration of HK$257,000, and as settlement of the consideration, Praise Marble allotted and issued 1 ordinary share, credited as fully-paid, to Flourish Team (with the instructions from Mr. Yau). Upon the completion of the above acquisition on 24 June 2016, Richway became a wholly-owned subsidiary of Praise Marble.

On 24 June 2016, Mr. Yau, as vendor, and Praise Marble, as purchaser entered into a sale and purchase agreement, pursuant to which Praise Marble acquired 1 ordinary share of Yau Wing (representing its entire number of issued share) from Mr. Yau at the consideration of HK$5,618,500 (which was determined with reference to the net assets value of Yau Wing as at 30 April 2016), and as settlement of the consideration, Praise Marble allotted and issued 1 ordinary share, credited as fully-paid, to Flourish Team (with the instructions from Mr. Yau). Upon the completion of the above acquisition on 24 June 2016, Yau Wing became a wholly-owned subsidiary of Praise Marble.

Transfer of business of U-Win

On 29 June 2016, Mr. Yau as vendor, and Yau Wing, as purchaser, entered into an agreement for the sale and purchase of business of all the assets, liabilities and undertakings (other than any and all litigation cases) of U-Win to Yau Wing at a consideration of HK$4,967,000.

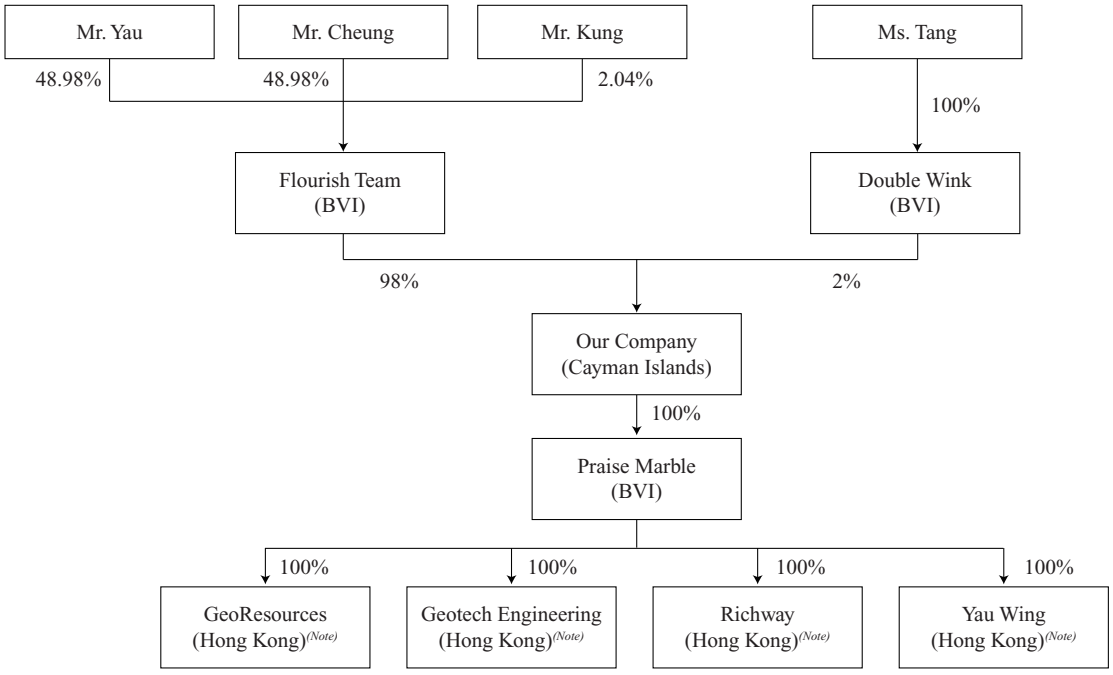
Acquisition of Praise Marble by our Company

On [●], Flourish Team and Double Wink, as vendors, and our Company, as purchaser, entered into a sale and purchase agreement, pursuant to which our Company acquired 196 and 4 ordinary shares of Praise Marble (representing its entire issued shares in aggregate), from Flourish Team and Double Wink respectively, at a consideration to be determined with reference to the net asset value of Praise Marble. The consideration for acquisition was satisfied by our Company credited as fully paid at par the (i) 98 nil-paid Shares held by Flourish Team (including one nil-paid subscriber Share transferred to Flourish Team earlier) and (ii) 2 nil-paid Shares held by Double Wink.

Upon the completion of the above acquisition on [●], Praise Marble became a wholly-owned subsidiary of our Company. The issued share capital of our Company was held as to 98% and 2% by Flourish Team and Double Wink respectively.

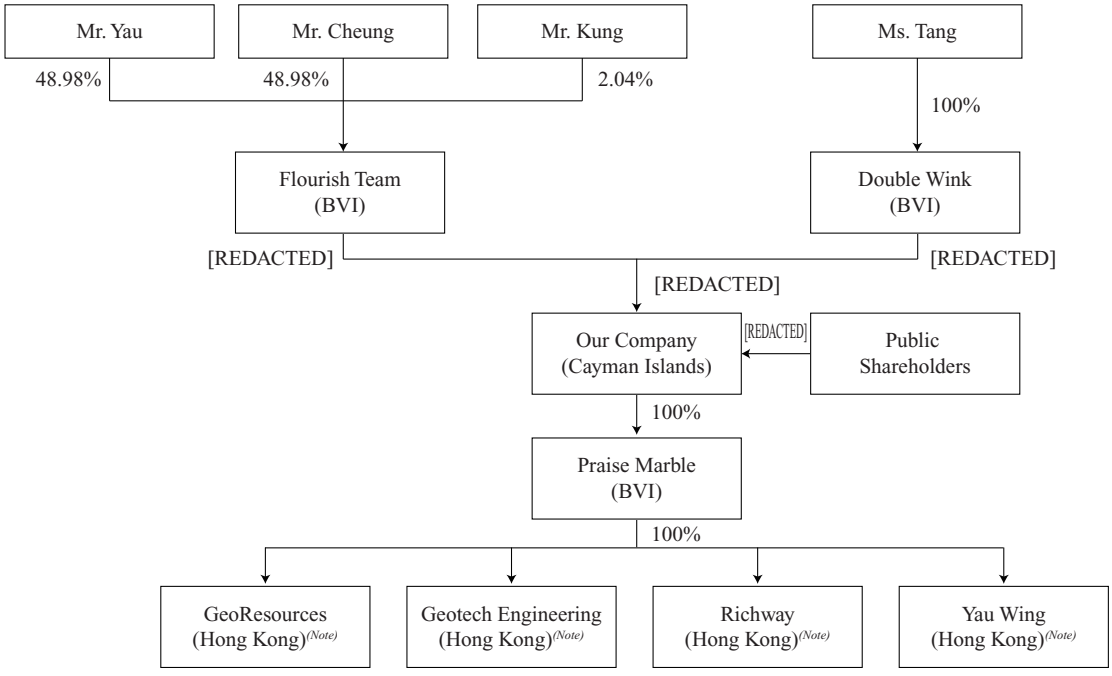
As part of the [REDACTED], the Selling Shareholder (i.e. Flourish Team) will offer [REDACTED] Sale Shares for sale under the [REDACTED]. For details of the sale of the Sale Shares by the Selling Shareholder, please refer to the section headed "Structure and conditions of the [REDACTED]" of this document.

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the [REDACTED] and the Capitalisation Issue:



Note: Geotech Engineering is our principal operating subsidiary and its principal business activity is to undertake slope works as a main contractor. Our other operating subsidiaries are GeoResources, Richway and Yau Wing. GeoResources's principal business activity is to undertake design, supply and construction of flexible barrier and the other slope works. Richway's principal business activity is to undertake slope works mainly in urban area. Yau Wing's principal business activity is to undertake slope works mainly in rural area and open hillsides.

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the [REDACTED] and the Capitalisation Issue (assuming the [REDACTED] is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme):



Note: Geotech Engineering is our principal operating subsidiary and its principal business activity is to undertake slope works as a main contractor. Our other operating subsidiaries are GeoResources, Richway and Yau Wing. GeoResources's principal business activity is to undertake design, supply and construction of flexible barrier and the other slope works. Richway's principal business activity is to undertake slope works mainly in urban area. Yau Wing's principal business activity is to undertake slope works mainly in rural area and open hillsides.

OVERVIEW

With over 20 years of experience in civil engineering industry, we are a leading slope works contractor in Hong Kong. We principally undertake slope works as main contractor. To a lesser extent, we also undertake slope works as subcontractor and ground investigation field works for road works contracts and building development projects as main contractor. According to the Ipsos Report, based on our revenue in 2016 of approximately HK$344.8 million, we (i) ranked first among the slope works contractors in Hong Kong; and (ii) accounted for a market share of approximately 21.9% of the Hong Kong slope works industry in 2016. The total revenue of the slope works industry in Hong Kong accounted for approximately 2.3% of the total revenue of the civil engineering industry in Hong Kong in 2015.

During the Track Record Period, we had undertaken a total of 191 slope works and ground investigation field works projects, of which 157 projects had been completed. As at 30 April 2017, we had 34 projects in progress with a total outstanding contract sum of approximately HK$364.2 million and such projects are expected to be completed by 2020. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has secured two public slope work projects (with total contract sum of over HK$10 million) with an aggregate total contract sum of approximately HK$111.7 million and such projects are expected to be completed by 2020. Further details of our projects are set out in the paragraphs headed "Our projects" in this section.

Our customers are primarily Government departments including CEDD, Lands Department and Highways Department. We also served private customers during the Track Record Period, which includes (i) a listed company in Hong Kong which operates railway system and engages in property development, (ii) property owners and developers, and (iii) professional consultants. During the Track Record Period, all of our revenue was derived in Hong Kong, of which approximately 91.1%, 93.5%, 91.7% and 92.5% were derived from public sector projects respectively.

The following table sets forth a breakdown of the number of our projects with revenue recognised during the Track Record Period by public and private sector projects:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Public sector projects	277,997	91.1	366,125	93.5	316,121	91.7	110,088	93.1	113,671	92.5
Private sector projects	27,265	8.9	25,302	6.5	28,645	8.3	8,117	6.9	9,175	7.5
	305,262	100.0	391,427	100.0	344,766	100.0	118,205	100.0	122,846	100.0

Note: As certain projects had revenue recognised to our Group throughout the Track Record Period, these projects are counted in each of the respective financial years period in the above table.

According to the Ipsos Report, the demand for slope works is expected to increase in future and the estimated gross output value of slope works industry in Hong Kong will increase from approximately HK$1,576.0 million in 2016 to approximately HK$1,609.6 million in 2021. For details on the market drivers relating to our Group, please refer to the paragraph headed "Industry overview – Key drivers of the slope works industry" in this document. Our revenue for FY2014, FY2015, FY2016 and 4M2017 was approximately HK$305.3 million, HK$391.4 million, HK$344.8 million and HK$122.8 million respectively.

MARKET AND COMPETITION

The slope works industry in Hong Kong is fairly consolidated with the top five slope works contractors accounted for approximately 59.2% of the total revenue in the slope works industry in Hong Kong in 2016. As at 30 April 2017, there were 38 approved contractors included in the List of Approved Specialist Contractors for Public Works under the category of "Landslip preventive/remedial works to slopes/retaining walls", of which 13 were on probation and 25 (including our Group) had a confirmed status. According to the Ipsos Report, in 2016, our Group accounted for approximately 21.9% (or approximately HK$344.8 million) of the total revenue in the slope works industry in Hong Kong and ranked first among the slope works contractors in Hong Kong. The total revenue of the slope works industry in Hong Kong accounted for approximately 2.5% of the total revenue of the civil engineering industry in Hong Kong in 2016.

Our Directors consider that technical expertise, quality of work, relationship with customers, suppliers and subcontractors, project pricing and safety records are the determinants of competitiveness of a slope works contractor in Hong Kong. Entry barriers to the slope works industry in Hong Kong are mainly (i) track record, (ii) technical knowledge and financial and management capability required for admission to the List of Approved Specialist Contractors for Public Works, and (iii) capital requirement.

According to the Ipsos Report, due to the rolling nature of the Landslip Preventive and Mitigation Programme and the Government's continuous effort to ensure public safety, increasing demand for slope stabilisation and reinforcement at new residential building sites and increasing demand for slope works from large-scale public infrastructure projects, coupled with our leading market status, our possession of the requisite licences and qualifications, experienced project management team and specialist knowledge in the slope works industry and stable relationship with our key customers, suppliers and subcontractors. Details of the above are set out in the paragraph headed "Competitive strengths" in this section. Our Directors believe that our Group is well positioned to capture the growing demand for slope works services in Hong Kong.

Please refer to the section headed "Industry overview – Competitive landscape and entry barriers" in this document for further details of the competitive landscape of the slope works industry in Hong Kong.

Our competitive advantages

- ***Professional and experienced project management team:*** We are a main contractor in the slope works industry, responsible for project management, quality control and supervision of slope safety and slope works. We are highly experienced and specialised in the slope works industry in Hong Kong. Our team of experienced project management and supervision staff also ensures the timely and on-budget completion of projects, overall quality of works carried out, and compliance with safety standards at work sites. Our well established track record for slope works, particularly for Government slope works, puts us in a competitive position to win new slope works projects in the industry. It is also worth noting that we have developed an extensive and stable network with subcontractors in Hong Kong, which would have brought our Company with significant advantages in securing sufficient resources for the processing and executing large scale slope works projects. In addition, given our good relationship with players along the supply chain of the slope works industry, we enjoy distinguishing assets in terms of its capacity of maintaining good relationship with raw material suppliers and customers.

- ***Favourable position in the Government's contractor selection mechanism:*** Our expertise and experiences in slope works project management in Hong Kong is reflected in their reputable track record lending to their ability to win large public contract tenders, and also have consistently high ratings under the 'Contractor's Performance Rating' managed by the Development Bureau. Our Contractor's Performance Rating has consistently ranked very close to the maximum points awarded, and consecutively between third quarter of 2015 to first quarter of 2017, we have obtained the highest performance rating awarded by the Development Bureau.

  To recognise our performance in LPM works, we were awarded 'Winner' of the 'Best LPM Contractor Competition' in 2015 and 2016 by CEDD's Geotechnical Engineering Office. In addition, we have also won numerous awards for its safety performance in projects contracted by government departments and a listed company in Hong Kong which operates a railway system. We have maintained outstanding performance in delivering public sector contracts, which is an advantage to win large public and private contracts due to the Government's recognition of its capability and other aspects of competency.

- ***Stable sources of revenue:*** As the dominant proportion of our revenues are from government/public contracts, compared to industry peers that rely higher proportion from private contracts, the company is more capable of keeping stable cash flow due to the clear payment terms stipulated in government contracts. In addition, government contracts usually also provide risk sharing mechanisms that can help shelving some unforeseeable market risks such as sudden surge of raw material prices from us.

- ***Good reputation in the slope works industry:*** Given our history, experiences and specialisation in slope works in Hong Kong, we have built up a high reputation for its track records in delivering projects on time and in high quality. Our track record in keeping site safety has also added their advantage in bidding for private sector works.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

Leading market position in the slope works industry in Hong Kong with prominent market share and performance ratings

We are the market leader in the slope works industry in Hong Kong. According to the Ipsos Report, we ranked first among the slope works contractors in Hong Kong with a market share of approximately 21.9% in terms of the total revenue of the slope works industry in Hong Kong in 2016. We have been operating in the slope works industry in Hong Kong since 2000. We have since then established ourselves as a dedicated contractor in the slope works industry consistently achieving customer satisfaction and quality of work which in turn increase our opportunities of winning new projects from customers.

Over the years, we have continuously strengthened our capability to capture business opportunities through expanding our project portfolio and building up our professional qualifications by obtaining various registrations and certifications from relevant government bodies/public organisations. Geotech Engineering, our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the categories of "Landslip preventive/remedial works to slopes/retaining walls" (confirmed status), "Site formation" (Group B probationary status) and "Ground investigation field work" (Group I status). We are also registered as specialist contractor in the categories of site formation works and ground investigation field works with the Building Authority.

Furthermore, our quarterly performance ratings under the category of "Landslip preventive/remedial works to slopes/retaining walls" as appraised by the Development Bureau were consistently above the corresponding average ratings and median ratings for the last seven consecutive quarters up to the second quarter of 2015 and our Group achieved maximum ratings among all contractors being rated consecutively between the third quarter of 2015 to the first quarter of 2017. For details in relation to our performance ratings, please refer to the paragraph headed "Awards, recognitions and performance ratings" – Our performance ratings under the Contractors' Performance Index System" in this section.

Our Directors consider that our outstanding performance ratings and our leading market position in the slope works industry in Hong Kong allows our Group to gain trust of our existing customers and give us a competitive edge when tendering for public works contracts which are crucial to our business operations and future business development.

Stable relationship with our major customers and suppliers

We have established stable business relationship with our major customers who are mostly Government departments including CEDD, Lands Department and Highways Department. Among our five largest customers (in terms of revenue) during the Track Record Period, we have been providing services to them for a period ranging from one year to 16 years. Besides, we have established stable business relationship with our five largest suppliers (in terms of total purchases) for a period ranging from two years to 11 years. Our Directors consider that our long-term business relationships with our major customers and suppliers would further enhance our market recognition and enable us to attract more potential business opportunities.

Experienced management team and design capability

Our management team has extensive industry knowledge and project management experience in slope works projects. Mr. Yau and Mr. Cheung, who are our executive Directors and our Controlling Shareholders, have over 25 years and 37 years of experience respectively, in the construction industry in Hong Kong. Mr. Kung, our executive Director and our chief executive officer, has over 16 years of experience in project management in geotechnical engineering of both public and private sector projects. Ms. Tang, our executive Director, has over 11 years of experience in project management and business development in slope works projects.

Our management's expertise is further strengthened by our collaboration with Mr. Wong Hong Yau, our Geotechnical Consultant, and Mr. Shen Jui Ming, the Technical Director of Geotech Engineering. Mr. Wong and Mr. Shen, who are renowned specialists in geotechnical engineering, have shared their invaluable insights with our management team in geotechnical research studies which enable our Group to keep abreast of the knowledge development in slope works industry in Hong Kong. In particular, Mr. Wong has over 46 years of experience in geotechnical engineering and is a renowned expert in this area. He graduated in University of Hong Kong with a Bachelor of Science in Engineering (Civil and Structural) (1st class honours) in 1964 and a Master in Engineering (Soil mechanics and Foundation engineering) in 1966. In 1969, he completed his PhD in McGill University in Canada. Mr. Wong has worked in numerous senior management and/or consulting positions for civil and geotechnical engineering projects in various companies and government departments. He also has many technical publications related to geotechnical engineering since 1972. Mr. Wong has joined Geotech Engineering as our Geotechnical Consultant since March 2003. He has provided our Group with valuable advice in civil and geotechnical engineering projects and various specialised projects including but not limited to laboratory testing, foundation and retaining structure design. Mr. Wong provides advices and assistance to us on project basis. He also provides lectures and internal training to our staff to enhance knowledge in geotechnical engineering.

The qualifications and experience of our management team and consultants facilitate the formulation of competitive tenders, which are essential in securing new business opportunities, and in carrying out efficient and timely execution and management of our projects. For details of the qualification and experience of our executive Directors, please refer to the section headed "Directors and senior management" in this document.

We also pride ourselves on our design capability. For certain slope works contracts, we undertake foundation designs of flexible barrier system which is used to prevent rock fall and debris flow with reference to the requirements in the drawings provided by the customer. As at the Latest Practicable Date, our Group has a team of four professional design staff capable of preparing foundation designs of flexible barrier systems that suit the conditions and limitations of different sites and requirements from our customers. Our Directors believe that our design capability differentiates us from our competitors and also offers higher profit margin in our slope work projects.

Our Directors believe that the combination of our management team's expertise and industry knowledge and our design capability have been and will continue to be our Group's valuable assets and strive our Group towards greater success.

Our commitment to maintaining safety standard, quality control and environmental protection

We place considerable emphasis to maintain safety standard and quality control as they can directly affect our reputation, our service quality and our profitability. They are also among our customers' key assessment criteria in selecting slope works service providers. Our management system was certified to be in accordance with the standard required under ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management). In addition, our efforts in upkeeping a safe working environment is well-recognised as demonstrated by various awards we have received for our quality and safety and environmental compliance management over the years. Please refer to the paragraph headed "Awards, recognitions and performance ratings" in this section for further details of our awards, certifications and recognitions. Our Directors believe that our effective occupational health, safety and environment management systems as well as good compliance track record would help to reduce our exposure to these claims and improve our overall service quality and profitability.

BUSINESS STRATEGIES

Our principal business objective is to further solidify our market position as the market leader in the slope works industry in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objective by pursuing the following key strategies:

Adherence to prudent working capital management to ensure capital sufficiency and compete for more slope works contracts

To tender for Government contracts as main contractor, we are required to maintain a high level of working capital and additional working capital for undertaking more contracts concurrently. Please refer to the paragraph headed "Operation flow – Tender phase – Financial requirement for tendering Government contracts" in this section for details of the working capital requirement for tendering Government contracts.

As at 30 April 2017, our Directors expect that, taking into consideration of our existing level of working capital including the unutilised banking facilities of approximately HK$33.5 million, our Group may undertake new tender contracts with contract sum of

approximately HK$207.0 million for the next 12 months under the working capital requirement for tender. Therefore, extra working capital is required in order to tender over HK$207.0 million of additional Government contracts, our Directors expect that the net proceeds from the [REDACTED] of approximately HK$[REDACTED] million will be used for financing various working capital requirement for tender. Our working capital level under the working capital requirement for tender will vary from time to time based on the combined annual value of uncompleted works on outstanding contracts, the available financial resources including the unutilised banking facilities and our ongoing operation and business strategies, the above estimated new contracts sum as at 30 April 2017 of approximately HK$207.0 million will be adjusted accordingly.

Our Directors consider that our current cash and bank balances at approximately HK$36.2 million as at 30 April 2017 may only be sufficient to support our Group's existing operations given our expected cash outflow as at 30 April 2017 relating to our trade and other payables as at 30 April 2017 of approximately HK$30.0 million to be settled within 60 days.

For illustration purpose, save for the new contract sum of approximately HK$207.0 million to be financed by our Group's existing level of working capital as at 30 April 2017, our Directors expect that, taking into consideration the net proceeds from the [REDACTED] of approximately HK$[REDACTED] million which will be used for financing various working capital requirement for tender, our Group may undertake additional new tender contracts with contract sum of approximately HK$381.0 million for the next 12 months under the working capital requirement for tender.

The above estimated additional contracts sum of approximately HK$381.0 million as at 30 April 2017 will be adjusted from time to time based on the combined annual value of uncompleted works on outstanding contracts, our Group's available financial resources including the unutilised banking facilities and our ongoing operation and business strategies.

For further details on the working capital management and the use of proceeds from the [REDACTED], please refer to the paragraph headed "Operation flow – Tender phase – Financial requirement for tendering Government contracts" in this section and the section headed "Future plans and use of proceeds" in this document.

When determining the new contracts to be undertaken by our Group, our Directors have considered and will continue to consider the followings:

(i) the total contract sum awarded during the Track Record Period. Please refer to the paragraph headed "Contract sum" in this section for further details;

(ii) the number of contracts available for tendering by the Government departments, the demand and trend of the industry including the estimated gross output value of slope works projects and the public expenditure of civil engineering industry in Hong Kong;

(iii) our Contractor's Performance Rating which consistently ranked very close to the maximum points awarded, and between the third quarter of 2015 to the first quarter of 2017 has consecutively been the highest performance rating awarded by the Development Bureau;

(iv) from 1 January 2017 to the Latest Practicable Date, our Group has secured 13 slope work projects of a total contract sum of about HK$250.9 million and 5 ground investigation projects of a total contract sum of about HK$1.7 million; and

(v) as at the Latest Practicable Date, we have tendered for 30 projects undertaking both slope work and ground investigation field works in public and private sectors. The status of award is still pending and these projects potentially form part of our project contracts and record revenue for the next two financial years. However, there is no assurance that our Group will succeed in these tenders as stated in the section headed "Risk factors" of this document.

Given the above, our Directors expect our Group may undertake new contracts with a total contract sum of approximately HK$207.0 million for the next 12 months, which will be financed by our Group's existing level of working capital as at 30 April 2017.

In view of our competitive advantages, our Directors believe that we will be awarded additional contracts taking account of the following factors:

(i) according to the Ipsos Report, the estimated total output value of the slope works in Hong Kong will likely increase from about HK$1,311.8 million in 2017 to about HK$1,609.6 million in 2021, representing a CAGR of about 5.3%;

(ii) our Group ranked first among the slope works contractors in Hong Kong with a market share of approximately 21.9% in terms of the total revenue of the slope works industry in Hong Kong in 2016 according to the Ipsos Report;

(iii) with the net proceeds from the [REDACTED], the working capital level of our Group will be substantially increased and therefore, our Group can fulfill the working capital requirement for those Government tender with larger contract sum;

(iv) with the Listing status, our Group can attract those reputable and large-scale main contractors to establish the business collaboration by way of forming a joint venture with a view to tendering for those complex and mega-sized Government contracts which involve various works category and require various licenses; and

(v) our Group will continue to actively submit Government tenders from time to time and in particular, as part of our corporate strategies, compete for contracts of larger contract sum if that is commercially viable.

Given the above, our Directors expect our Group may undertake additional new contracts with a total contract sum of approximately HK$381.0 million for the next 12 months, which will partially be financed by the net proceeds from the [REDACTED].

In view of the above, our Directors consider that prudent working capital management coupled with the net proceeds from the [REDACTED] is necessary to finance our working capital needs for the future growth and expansion of our Group.

Continue to strengthen our manpower and upgrade our site equipment and facilities

We consider that a strong project management team equipped with extensive knowledge and experience in the slope works industry is crucial to our continuing success. As a main contractor, our project management and supervision team is instrumental to complete the projects to the satisfaction of our customers. To this end, we intend to strengthen our project management capability and manpower by recruiting additional project supervision staff and site staff (including project manager, surveyor, site engineer, foreman, safety officers, safety supervisors, labour officers, site clerk and other site staff). In order to cope with our business development and cater for the growing demand for slope works projects, we intend to purchase a 30-ton crane lorry for replacement, upgrade our surveying equipment and purchase other site facilities and equipment required for our operation, which to be financed by the net proceed of the [REDACTED]. In addition, we will also provide more training to our existing and newly recruited staff on slope works operation, occupational health and safety and environmental protection to be conducted either through internal training or by external training instructions. We may also finance our recruitment of additional staff and purchase of site facilities and equipment and facilities by our own internal resources. Our Directors consider that our expansion scale in both manpower and machinery and equipment are of a level comparable with our Group's historical business strategy.

Continue to increase our operational efficiency and enhance our quality of service

With our continuous growth in business scale and scope, we will continue to enhance our operational efficiency and cost control by following the control procedures relating to engagement and supervision of our subcontractors over material procurement, which allow us to maintain a stringent standard in the selection of approved suppliers and approved subcontractors. Besides, we will further enhance our competitiveness by further enhancing our quality of services, tighten our controls over quality safety and environmental compliance and provide quality customer service for our expanded customer base, and continuously providing training to our staff in respect of, among other things, workplace safety, operational skills and management and supervisory skills over our subcontractors so as to raise our standard and quality of service. Furthermore, we plan to upgrade our information technology and management systems which will enable us to analyse information and records of our financial, human resources, sales and customer relationship management and enhance our operational efficiency.

Our Directors believe that by implementing the strategies as mentioned above, we will be able to (i) efficiently manage our projects on hand and newly awarded projects; (ii) participate in more slope works projects; and (iii) have additional manpower to further strengthen our workforce and quality of our service which is of utmost importance to our Group's competiveness and ongoing business development. Leveraging our proven track record, our reputation, solid experience in slope works projects over the Track Record Period and our prudent financial management, our Directors are of the view that we are well positioned to capture the business opportunities for slope works projects in the future.

As at the Latest Practicable Date, we have not identified any target for acquisition and do not have any acquisition plan.

For further details on the implementation of the abovementioned business strategies, please refer to the section headed "Future plans and use of proceeds" in this document.

OUR BUSINESS MODEL

We are a contractor of slope works projects through Geotech Engineering, our principal operating subsidiary. Our role as main contractor includes overall project management and supervision of works conducted by our subcontractors to ensure that we conform to the requirements of our customers, depending on our customers' requirements, project nature, our assessment on profitability, project pipeline and availability of internal resources. In addition, we have also acted as subcontractor through our subsidiaries, namely, GeoResources, Richway and Yau Wing. Specifically, our subsidiaries are established to undertake different nature of slope works: (i) GeoResources principally undertakes design, supply and construction of flexible barrier and other slope works; (ii) Richway principally undertakes slope works in urban area; and (iii) Yau Wing principally undertakes slope works in rural area and open hillsides. Apart from slope works, we also undertake ground investigation field works as subcontractor for road work contracts and building development contracts managed by other main contractors. Revenue from ground investigation field works was not significant to our business and only represented approximately 5.6%, 3.8%, 4.7% and 24.8% of our total revenue for FY2014, FY2015, FY2016 and 4M2017 respectively. The following table sets out our revenue breakdown by the type of our works undertaken during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Slope works	288,045	94.4	376,422	96.2	328,663	95.3	116,403	98.5	92,403	75.2
Ground investigation field works	17,217	5.6	15,005	3.8	16,103	4.7	1,802	1.5	30,443	24.8
	305,262	100.0	391,427	100.0	344,766	100.0	118,205	100.0	122,846	100.0

Slope works

Slope works refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. A large part of our slope works was generated from contracts with the Government that we obtained through competitive tendering. We have undertaken a number of public sector projects as the main contractor for the provision of slope works services awarded by CEDD under Landslip Prevention and Mitigation Programme, details of which are set out in the paragraph headed "Market and competition" in this section. We also provided slope works services to private sector customers given the proximity of their premises to slopes in need of remedial works.

During the Track Record Period, our slope works included (i) drilling and installation of soil nails; (ii) construction of retaining walls and debris flow protection rigid barriers; (iii) design and construction of flexible barriers; (iv) construction of gabion walls; (v) installation of erosion control mat and wire mesh; (vi) installation of ranking drain; and (vii) construction of concrete maintenance stairway.

Construction of retaining walls and debris flow protection rigid barriers

Construction of gabion walls

Installation of Soil nails, erosion control mat and wire mesh, maintenance stairway

Design and construction of flexible barriers

Ground investigation field works

Our ground investigation field works are generated from contracts that we obtained through competitive tendering. Our ground investigation field works, from public or private projects, where we usually undertake ground investigation field works as a subcontractor for large-scale road works contracts and building development contracts managed by other main contractors. During the Track Record Period, our principal types of ground investigation field works included (i) ground investigation and geological field works; (ii) instrumentation design, supply and monitoring; and (iii) installation of geotechnical and structural instrumentation.

Ground investigation and geological field works

LICENCES AND PERMITS

As confirmed by our Directors, our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date. Contractors qualified or licensed by the relevant authorities are subject to a regulatory regime which is put in place to ensure that quality standards, financial capability, expertise, management, environmental and safety are complied with contract or statutory requirements by the contractors in carrying out their works in both public and private sectors. Details of the above are set forth under the section headed "Regulatory overview" in this document.

As at the Latest Practicable Date, the following table sets out our major qualifications and licences held by our Group:

Relevant Government departments or public organisations	Holder	Registration and qualification	Category	Date of first registration	Expiry date	Authorised contract value
WBDB	Geotech Engineering	List of Approved Contractors for Public Works	Landslip preventive/Remedial works to slopes/Retaining walls (Confirmed status)	11 November 1998	– *(Notes 1, 2)*	N/A
WBDB	Geotech Engineering	List of Approved Contractors for Public Works	Site formation (Group B (probationary status))	11 November 1998	– *(Notes 1, 2, 3)*	up to HK$185 million
WBDB	Geotech Engineering	List of Approved Contractors for Public Works	Ground investigation field work (Group I)	4 October 2011	– *(Notes 1, 2)*	up to HK$2.3 million
Building Authority	Geotech Engineering	Registered Specialist Contractor	Site formation works	28 June 2000	30 March 2018	N/A
Building Authority	Geotech Engineering	Registered Specialist Contractor	Ground investigation field works	22 July 2004	24 June 2019	N/A
Construction Industry Council	Geotech Engineering	Registered Subcontractor	General civil works with specialties in (i) road drainage and sewer; (ii) geotechnical works; and (iii) ground investigation	14 December 2004	13 December 2018	N/A
Construction Industry Council	GeoResources	Registered Subcontractor	General civil works with specialty in geotechnical works	24 November 2010	22 November 2018	N/A
Construction Industry Council	Richway	Registered Subcontractor	Scaffolding with specialty in metal scaffolding, and general civil works with specialty in geotechnical works	29 October 2014	28 October 2018	N/A
Construction Industry Council	Yau Wing	Registered Subcontractor	General civil works with specialty in geotechnical works	22 October 2015	21 October 2017	N/A

Notes:

1. "–" denotes not subject to any periodic renewal condition.

2. Contractors are required to meet certain criteria for retention of the qualification. Please refer to the section headed "Regulatory overview – Contractor licensing regime and operation" in this document for the retention requirement.

3. A probationary contractor may apply for "confirmed" status after the satisfactory completion of works appropriate to its probationary status. To be promoted and retained as an approved contractor with a confirmed status, our Group must meet the relevant requirements. Further details are set out in the section headed "Regulatory overview – Contractor licensing regime and operation" in this document.

We maintain compliance with the respective licences, permits, registrations, and relevant regulatory requirements in respect of safety and environmental protection. Our Group will renew all necessary licences or qualifications before their respective expiry date. We have not experienced any refusal of renewal of the relevant licences or qualifications necessary for our daily operations or any non-compliance with relevant laws and regulations of Hong Kong which caused material disruption to our operations during the Track Record

Period and up to the Latest Practicable Date. As advised by our legal advisers as to Hong Kong law, we do not expect any difficulty or legal impediment in obtaining the renewed licences or qualifications.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any regulatory action from the Development Bureau and we did not have any historical incidents of non-satisfaction of the requirements for retention on the List of Approved Specialist Contractors for Public Works under the three categories in which Geotech Engineering is currently included.

OUR PROJECTS

The following table sets out an analysis of our projects based on their respective revenue recognised and number of projects during the Track Record Period:

	Year ended 31 December									Four months ended 30 April					
	2014			2015			2016			2016			2017		
Project revenue recognised	*Revenue*		*Number of projects*	*Revenue*		*Number of projects*	*Revenue*		*Number of projects*	*Revenue*		*Number of projects*	*Revenue*		*Number of projects*
	HK$'000	*%*		*HK$'000*	*%*		*HK$'000*	*%*		*HK$'000*	*%*		*HK$'000*	*%*	
										(unaudited)					
Over HK$10 million	206,000	67.5	9	323,954	82.8	10	260,665	75.6	9	68,755	58.2	4	63,476	51.7	4
HK$1 million to HK$10 million	84,816	27.8	24	51,320	13.1	19	70,773	20.5	20	44,610	37.7	10	50,152	40.8	14
Below HK$1 million	14,446	4.7	51	16,153	4.1	55	13,328	3.9	56	4,840	4.1	15	9,218	7.5	28
	305,262	100.0	84	391,427	100.0	84	344,766	100.0	85	118,205	100.0	29	122,846	100.0	46

Note: As certain projects have revenue contribution to our Group throughout the Track Record Period, these projects are counted in respective financial years/periods in the above table.

Summary of major projects during the Track Record Period

The following table sets out the summary of our major projects during the Track Record Period:

Project	Total contract sum *(Note 1)*	Accumulated revenue recognised prior to the Track Record Period	Revenue recognised for FY2014	Revenue recognised for FY2015	Revenue recognised for FY2016	Revenue recognised for 4M2017	Outstanding contract sum as at 30 April 2017 *(Note 2)*	Status as at the Latest Practicable Date *(Note 3)*
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Project 1	117,063	–	29,487	33,537	44,679	5,685	3,675	Completed
Project 2	78,184	3,480	27,508	35,854	10,795	547	–	Completed
Project 3	61,194	13,555	25,302	20,157	1,778	402	–	Completed
Project 4	72,692	46,107	24,132	2,254	33	166	–	Completed
Project 5	76,064	–	21,766	26,194	19,943	4,661	3,500	Ongoing
Project 6	54,569	6,071	20,085	20,064	7,168	1,181	–	Completed
Project 7	78,498	1,841	19,772	34,289	18,131	2,665	1,800	Ongoing
Project 8	178,937	–	19,525	64,765	71,175	16,425	7,047	Ongoing
Project 9	61,380	1,250	18,423	32,947	8,197	563	–	Completed
Project 10	79,445	–	7,857	31,242	32,464	6,081	1,801	Completed
Project 11	91,212	–	7,663	24,905	34,668	12,148	11,828	Ongoing
Project 12	27,000	–	–	1,629	16,792	3,426	5,153	Ongoing
Project 13	100,273	–	–	–	12,018	9,924	78,331	Ongoing
Project 14	28,465	–	–	–	4,147	24,318	–	Completed
Project 15	69,200	–	–	–	9,917	10,585	48,698	Ongoing
Project 16	25,189	–	–	–	365	4,987	19,837	Ongoing
Subtotal			221,520	327,837	292,270	103,764	181,670	
% to the total revenue/outstanding contract sum for the year/period			*72.6%*	*83.8%*	*84.8%*	*84.5%*	*49.9%*	
Other projects			83,742	63,590	52,496	19,082	182,545	
% to the total revenue/outstanding contract sum for the year/period			*27.4%*	*16.2%*	*15.2%*	*15.5%*	*50.1%*	
Total for the year/period			305,262	391,427	344,766	122,846	364,215	

Notes:

1. The total contract sum of the completed projects represent the final contract sum. In respect of the ongoing projects, the total contract sum is based on (i) the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders; and (ii) our management's best estimation, from time to time, taking into account factors including subsequent variation orders, the expected completion date and the actual work schedule.

2. Outstanding contract sum as at 30 April 2017 equals the amount of total contract sum after deducting the accumulated revenue recognised up to 30 April 2017.

3. Project described as "completed" means that the relevant project has achieved practical completion.

4. The figures and percentages above may not add up to the total due to rounding.

Top projects during the Track Record Period

The following table sets out the details of our top projects (with revenue contribution of over HK$10 million) during the Track Record Period:

For FY2014:

Project	**Customer**	**Project period** *(Note 1)*	**Sector**	**Description of project**	**Status as at the Latest Practicable Date** *(Note 2)*	**Revenue recognised for FY2014** *HK$'000*	**% of our total revenue for FY2014**
Project 1	Customer A	December 2013 – June 2017	Public	Slope works – Landslip prevention and mitigation works	Completed	29,487	9.7
Project 2	Customer A	October 2013 – August 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	27,508	9.0
Project 3	Customer A	October 2012 – August 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	25,302	8.3
Project 4	Customer A	April 2012 – December 2015	Public	Slope works – Landslip prevention and mitigation works	Completed	24,132	7.9
Project 5	Customer B	March 2014 – December 2017	Public	Slope works – Slope maintenance and improvement works	Ongoing	21,766	7.1
Project 6	Customer A	June 2013 – July 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	20,085	6.6
Project 7	Customer A	September 2013 – December 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	19,772	6.5

Project	Customer	Project period *(Note 1)*	Sector	Description of project	Status as at the Latest Practicable Date *(Note 2)*	Revenue recognised for FY2014 *HK$'000*	% of our total revenue for FY2014
Project 8	Customer A	March 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	19,525	6.4
Project 9	Customer A	November 2013 – September 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	18,423	6.0
						206,000	67.5

Notes:

1. In respect of the ongoing projects, the expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

2. Project described as "completed" means that the relevant project has achieved practical completion.

3. The figures and percentages above may not add up to the total due to rounding.

For FY2015:

Project	Customer	Project period *(Note 1)*	Sector	Description of project	Status as at the Latest Practicable Date *(Note 2)*	Revenue recognised for FY2015 *HK$'000*	% of our total revenue for FY2015
Project 1	Customer A	December 2013 – June 2017	Public	Slope works – Landslip prevention and mitigation works	Completed	33,537	8.6
Project 2	Customer A	October 2013 – August 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	35,854	9.2
Project 3	Customer A	October 2012 – August 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	20,157	5.1
Project 5	Customer B	March 2014 – December 2017	Public	Slope works – Slope maintenance and improvement works	Ongoing	26,194	6.7
Project 6	Customer A	June 2013 – July 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	20,064	5.1
Project 7	Customer A	September 2013 – December 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	34,289	8.8
Project 8	Customer A	March 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	64,765	16.5
Project 9	Customer A	November 2013 – September 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	32,947	8.4
Project 10	Customer A	August 2014 – June 2017	Public	Slope works – Landslip prevention and mitigation works	Completed	31,242	8.0
Project 11	Customer A	April 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	24,905	6.4
						323,954	82.8

Notes:

1. In respect of the ongoing projects, the expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

2. Project described as "completed" means that the relevant project has achieved practical completion.

3. The figures and percentages above may not add up to the total due to rounding.

For FY2016:

Project	**Customer**	**Project period** *(Note 1)*	**Sector**	**Description of project**	**Status as at the Latest Practicable Date** *(Note 2)*	**Revenue recognised for FY2016** *HK$'000*	**% of our total revenue for FY2016**
Project 1	Customer A	December 2013 – June 2017	Public	Slope works – Landslip prevention and mitigation works	Completed	44,679	13.0
Project 2	Customer A	October 2013 – August 2016	Public	Slope works – Landslip prevention and mitigation works	Completed	10,795	3.1
Project 5	Customer B	March 2014 – December 2017	Public	Slope works – Slope maintenance and improvement works	Ongoing	19,943	5.8
Project 7	Customer A	September 2013 – December 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	18,131	5.3
Project 8	Customer A	March 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	71,175	20.6
Project 10	Customer A	August 2014 – June 2017	Public	Slope works – Landslip prevention and mitigation works	Completed	32,464	9.4
Project 11	Customer A	April 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	34,668	10.1
Project 12	Customer I	August 2015 – December 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	16,792	4.9
Project 13	Customer J	May 2016 – April 2019	Public	Slope works – Slope maintenance and improvement works	Ongoing	12,018	3.5
						260,665	75.7

Notes:

1. In respect of the ongoing projects, the expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

2. Project described as "completed" means that the relevant project has achieved practical completion.

3. The figures and percentages above may not add up to the total due to rounding.

For 4M2017:

Project	**Customer**	**Project period** *(Note 1)*	**Sector**	**Description of project**	**Status as at the Latest Practicable Date** *(Note 2)*	**Revenue recognised for the four months ended 30 April 2017** *HK$'000*	**% of our total revenue for the four months ended 30 April 2017**
Project 8	Customer A	March 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	16,425	13.4
Project 11	Customer A	April 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	Ongoing	12,148	9.9
Project 14	Customer K	October 2016 – April 2017	Public	Ground investigation works	Completed	24,318	19.8
Project 15	Customer A	May 2016 – October 2018	Public	Slope works – Landslip prevention and mitigation works	Ongoing	10,585	8.6
						63,476	51.7

Notes:

1. In respect of the ongoing projects, the expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

2. Project described as "completed" means that the relevant project has achieved practical completion.

3. The figures and percentages above may not add up to the total due to rounding.

Projects on hand

The following table sets out the outstanding contract sum of our projects in progress with total contract sum of over HK$10 million as at 30 April 2017:

Project	Customer	Project period *(Note 1)*	Sector	Description of project	Total contract sum *HK$'000*	Accumulated revenue recognised up to 30 April 2017 *HK$'000*	Outstanding contract sum as at 30 April 2017 *HK$'000*
Project 1	Customer A	December 2013 – June 2017	Public	Slope works – Landslip prevention and mitigation works	117,063	113,388	3,675
Project 5	Customer B	March 2014 – December 2017	Public	Slope works – Slope maintenance and improvement works	76,064	72,564	3,500
Project 7	Customer A	September 2013 – December 2017	Public	Slope works – Landslip prevention and mitigation works	78,498	76,698	1,800
Project 8	Customer A	March 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	178,937	171,890	7,047
Project 10	Customer A	August 2014 – June 2017	Public	Slope works – Landslip prevention and mitigation works	79,445	77,644	1,801
Project 11	Customer A	April 2014 – October 2017	Public	Slope works – Landslip prevention and mitigation works	91,212	79,384	11,828
Project 12	Customer I	August 2015 – December 2017	Public	Slope works – Landslip prevention and mitigation works	27,000	21,847	5,153
Project 13	Customer J	May 2016 – April 2019	Public	Slope works – Slope maintenance and improvement works	100,273	21,942	78,331
Project 15	Customer A	May 2016 – October 2018	Public	Slope works – Landslip prevention and mitigation works	69,200	20,502	48,698
Project 16	Customer L	December 2016 – April 2018	Public	Slope works – Slope maintenance and improvement works	25,189	5,352	19,837
Project 17	Customer A	January 2017 – February 2020	Public	Slope works – Landslip prevention and mitigation works	94,000	1,532	92,468
Other projects					131,293	41,216	90,077
Total					1,068,174	703,959	364,215

Notes:

1. In respect of the ongoing projects, the expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.

2. Outstanding contract sum as at 30 April 2017 equals the amount of total contract sum after deducting the accumulated revenue recognised up to 30 April 2017.

3. The figures and percentages above may not add up to the total due to rounding.

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has secured two public slope work projects (with total contract sum of over HK$10 million) with an aggregate total contract sum of approximately HK$111.7 million and such projects are expected to be completed by 2020.

Contract backlog

The following table sets out the number of contracts completed and awarded to us and the respective total contract sum/revenue recognised during the Track Record Period:

	Number of contracts	Total contract sum *HK$'000*
As at 1 January 2014		
Ongoing projects *(Note 1)*	35	403,423
New contracts awarded *(Note 2)*	52	588,778
Contracts completed *(Notes 3 and 4)*	(42)	(305,262)
As at 31 December 2014	45	686,939
As at 1 January 2015		
Ongoing projects *(Note 1)*	45	686,939
New contracts awarded *(Note 2)*	44	117,191
Contracts completed *(Notes 3 and 4)*	(46)	(391,427)
As at 31 December 2015	43	412,703
As at 1 January 2016		
Ongoing projects *(Note 1)*	43	412,703
New contracts awarded *(Note 2)*	46	283,758
Contracts completed *(Notes 3 and 4)*	(45)	(344,766)
As at 31 December 2016	44	351,695
As at 1 January 2017		
Ongoing projects *(Note 1)*	44	351,695
New contracts awarded *(Note 2)*	14	135,366
Contracts completed *(Notes 3 and 4)*	(24)	(122,846)
As at 30 April 2017	34	364,215

Notes:

1. The total outstanding contract sum on hand of the ongoing projects as at the indicted date.

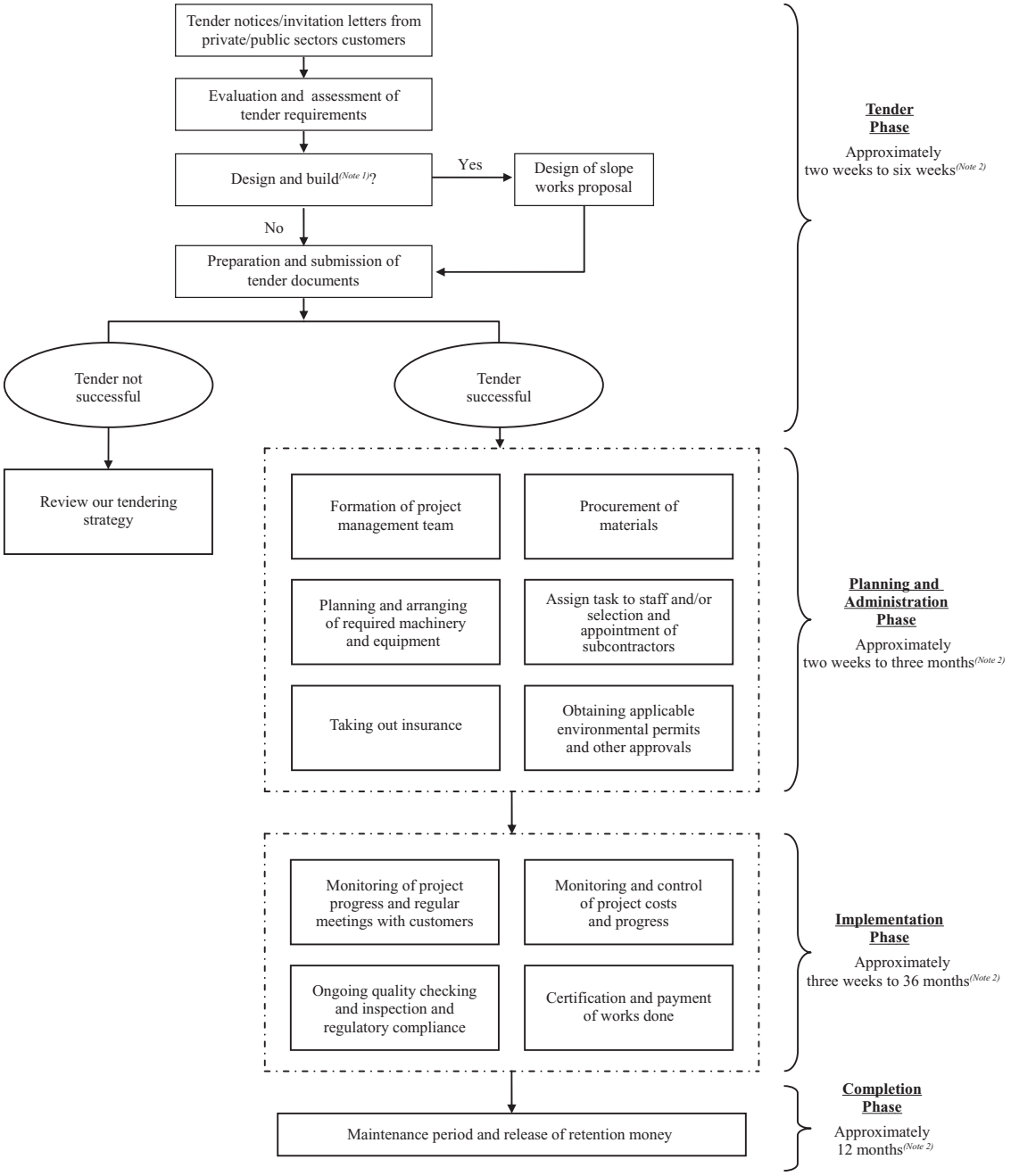
2. The total contract sum based on the project contract awarded (including those not yet commenced) during the respective year/period.

3. The relevant project has achieved practical completion during the respective year/period.

4. Refer to the revenue recognised during the respective year/period (with reference to the Accountants' Report set out in Appendix I to this document).

OPERATION FLOW

The following diagram summarises the principal steps of our operation flow:



Notes:

1. For "design and build" contracts, we are responsible for foundation designs of flexible barrier system which is used to prevent rockfall and debris flow. For these contacts, design team works closely with our tendering team to work out various details of tender such as costs, human resources, construction materials and the expected time required for completion of the project. Generally, it takes about six weeks from receipt of the tender documents to submission of the tender proposal for a "design and build" contract.

   For "build only" contracts, we will prepare and submit tenders or quotations on the basis of a layout design provided by the project consultant. Generally, it takes about two weeks from receipt of the tender documents to submission of the tender proposal for a "build only" contract.

2. The time frame may vary for different contracts depending on various factors such as the terms of contract, the nature of works to be performed, presence of variation orders and/or our agreement with the customer on the time frame for the principal steps to be undertaken as well as other unforeseeable circumstances.

Tender phase

Our tendering team is led by Mr. Yau and Mr. Kung, our executive Directors, whose background and experience are set out in the section headed "Directors and senior management" in this document. Mr. Yau and Mr. Kung are responsible for reviewing and evaluating tender documents and preparing tender submissions. Generally, the tendering team reviews and evaluates the commercial viability of potential projects. When we decide that a potential project is commercially viable, our tendering team will proceed to prepare the tender proposal.

Tender success rate

The following table summarises our overall tender success rate for FY2014, FY2015, FY2016 and 4M2017:

	Year ended 31 December			Four months ended 30 April
	2014	**2015**	**2016**	**2017**
Number of tenders submitted	86	79	79	35
Number of tenders won	20	14	7	2
Tender success rate *(Note)*	23.3%	17.7%	8.9%	5.7%

Note: Tender success rate is calculated by dividing the number of tender contracts awarded during the year/period by the number of tenders submitted for the same period.

Our tender success rate for FY2016 and 4M2017 were lower than the tender success rate for FY2014 and FY2015 because we were occupied with our existing slope works projects where we were unable to take up additional projects during FY2016 and 4M2017. Nevertheless, it was our strategy to be responsive to our customers' tender invitations and submit tenders to our existing customers in order to maintain business relationship with our existing customers and maintain our presence in the market. Under such circumstances, our

Directors believe that we had taken a relatively prudent approach in costs estimation by factoring a higher profit margin which may cause our tender price to be less competitive than the tenders submitted by our competitors during FY2016 and 4M2017.

The total number of registered contractors for slope work has been very stable from 2014 to first half of 2017. From 2014 to first half of 2017, there were 34, 35, 35 and 38 registered contractors, respectively for slope works in Hong Kong, but the awarded tenders were 18, five, five and four for FY2014, FY2015, FY2016 and first half of 2017 respectively. Hence, the success rate on project tendering decreased. The decrease in the tender success rate on project tendering was mainly due to less tender in the market in recent years.

Financial requirement for tendering Government contracts

A contractor is required to maintain the minimum level of working capital which is the higher of HK$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors. In addition, in the tendering process, the Development Bureau will assess our working capital sufficiency based on the annual value of the new tender taking into account of our net current assets as at the latest financial statement excluding (i) all receivables and prepayments; and (ii) 10% of the combined annual value of uncompleted works on outstanding contracts (regardless whether they are public and private sector projects). During the Track Record Period, we have maintained the minimum level of working capital for undertaking Government contracts and/or rectified the shortfall by way of shareholders' loan, existing unutilised banking facilities, and grant of new banking facilities.

Working capital management

To ensure we are able to attain the minimum level of working capital for tendering Government contracts, we will continue to adopt a prudent treasury management policy to (i) ensure that our funds are properly and efficiently collected and deployed such that there is no material shortfall in cash which may interrupt our Group's daily business obligations; (ii) maintain sufficient level of funds to settle our capital commitment when they fall due; (iii) maintain adequate liquidity to cover our operation cash flow, project expenditures and administrative expenses; and (iv) streamline our operational processes to achieve savings in construction-related costs, maintenance and other operating costs.

In addition, we will adopt the following measures to manage our Group's working capital requirements:

(i) we will monitor our cash flow situation closely and adopt a more conservative approach on further working capital requirements, capital commitment, and investment, if any;

(ii) we expect to finance our operation and capital requirements by utilising our existing financial resources. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material difficulty or obstacle in obtaining financing and banking facilities from

banks and financial institutions nor did we receive any notice from banks and financial institutions for early payment of outstanding banking facilities. In the event of any additional funds required, we will obtain banking facilities and we do not expect we will encounter any material difficulty in securing banking facilities from banks and financial institutions;

(iii) we expect to generate more stable stream of cash flows from operating activities as we expand our operation scale and undertake more projects. As a result of our increased operational efficiency as well as quality of service, we believe we are able to capture more contracts and expand our market share, thereby generating more cash flows from our operations. As we adopted a prudent approach to retain our working capital for fulfilment of our coming financial obligation and capital requirement, we expect to generate stable cash flow from our operating activities in the future; and

(iv) we expect to receive from the net proceeds from [REDACTED] (assuming the [REDACTED] is not exercised) which is estimated to be approximately HK$[REDACTED] million (being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] per [REDACTED]). We will review our future plan in relation to the expansion and capital requirements from time to time and reschedule our future plan, if necessary.

Planning and administration phase

Generally, once our tender proposal is accepted by our customer, a letter of award or letter of acceptance will be issued to us by our customer which forms part of the contract. We will commence the planning and administration of the project by the project management team to draw up (i) contract quality plan, (ii) subcontracting management plan, (iii) safety plan, and (iv) environmental management plan. Such plans are based on (i) customers' requirements, (ii) project specifications, (iii) the scope of works as indicated in the contract, (iv) site layout, and (v) manpower resources and safety requirements.

Prior to the commencement of works, we will (i) procure all necessary insurances and contract cars pursuant to the project contract; (ii) set up site office and facilities such as site hoarding, site renovation and other necessary site fixtures and equipments; and (iii) organise the resources required at each stage such as manpower and subcontractor, construction materials and machinery. The construction materials and machinery are sourced from other parties directly or through subcontractors. As at 30 April 2017, our Group had a number of plant and equipment which consisted (i) a 10.4-ton crane lorry and 55 other motor vehicles (with a net book value of approximately HK$3.1 million); (ii) equipment and machinery, including a set of surveying equipment, a generator and an air compressor (with a net book value of approximately HK$0.2 million); and (iii) four site offices with equipments (with a net book value of approximately HK$1.4 million), which are currently used for our project execution.

We also arrange for safety and environmental protection measures and apply to Government departments such as the Environmental Protection Department for setting up billing accounts for waste disposal and notify the Building Authority and the Labour Department of our site operation prior to commencement of a project.

Implementation phase

As a main contractor, we focus on supervision of site works carried out by our subcontractors and the overall planning and management of work schedules and logistical arrangements in relation to the workers, materials, machinery and other resources required at work sites in order to ensure conformity of the works with the specifications required by our customers, monitor the overall work quality and ensure smooth and timely completion of the works. Throughout the project execution stage, our project management personnel meet with our customers and our subcontractors on a monthly basis to review work progress and to resolve any issues identified during the course of execution. Our project manager or assistant project manager is responsible for overall supervision of overall workforce on site to monitor the quality and ensure the projects are executed in accordance with our quality standards. Our site agent is required to prepare site daily records on the works performed by our workers or subcontractors. Our site agent also assists our project manager to monitor work progress and coordinate with our foreman to supervise workmanship and quality.

Completion phase

Once we have completed the entire project to the satisfaction of our customer, our customer will issue a practical completion certificate for the project certifying the contract works which have been completed, tested and approved. In some projects, less formal procedures will take place where the parties agree on practical completion by exchange of correspondence. A contract is normally regarded as practically completed when (i) the works under the contract have been duly completed as verified by our customer after inspection; (ii) there is no apparent defect; and (iii) maintenance liability period commences. It generally takes approximately three to six months for us to reach an agreement on the final account with our customers taking into account the value of our work done (including variation orders (if any)) and the retention payables. We normally receive final payment from our customers within 45 days after the said final account is agreed.

Maintenance period

The maintenance period is normally 12 months, depending on the nature and scale of the project. In such connection, we may require a similar maintenance period from our subcontractors for their respective parts of works. If there are any works defects found by our customers during the maintenance period, the relevant subcontractor is responsible for rectifying the works defects in accordance with the defects liability clause of the subcontracting agreement with our Group. Our Directors confirm that there was no material claim brought against our Group by our customers for any defects liability during the Track Record Period.

CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers primarily included the following:

- ***Public sector***: Government departments such as CEDD, Lands Department and Highways Department, as well as other statutory bodies.

- ***Private sector***: Private corporations and other entities in the private sector, including a listed company in Hong Kong which operates railway system and engages in property development, property owners, developers or their professional consultants.

We normally receive progress payments from our customers on a monthly basis by reference to the value of works done. In general, we submit an interim payment application to the architect or engineers employed by our customers on a monthly basis with details relating to the amount of works done. Once we have provided our interim payment application, our customers or their authorised representatives, such as the architects or quantity surveyor employed by the customers, would issue a progress certificate certifying the works progress in the preceding month. It normally takes about 21 days from the date of interim payment application for such certificate to be issued. Upon the issue of such certificate, the customer is generally obliged to pay our Group the amount certified less retention money. A portion of contract value is usually withheld by our customers as retention money. The amount of retention money, which depends on negotiation with our customers, generally represents 5% to 10% of the value of the works done. For most of our public sector projects, no invoice is issued by our Group. However, for some private sector customers and at their requests, our Group may issue a debit note or invoice based on the payment certificate issued. Public sector customers are generally required to make payments to us within 21 days after the issue of payment certificate by our customers or its authorised person, while our private sector customers are normally required to make payments to us within 30 days after the issue of the debit note or invoice.

For information regarding our customers in respect of each of our projects undertaken during the Track Record Period, please refer to the paragraph headed "Our projects" in this section.

Major customers

For FY2014, FY2015, FY2016 and 4M2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 70.1%, 77.3%, 69.5% and 47.6% respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 86.2%, 89.5%, 85.8% and 83.4% respectively.

Set out below is a breakdown of our revenue by our five largest customers during the Track Record Period and their respective background information:

For FY2014:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK$'000	*%*
1.	Customer A	A Government department which provides public civil engineering services in Hong Kong	Slope works	16	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	214,124	70.1
2.	Customer B	A Government department responsible for all land matters in Hong Kong	Slope works	10	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	29,142	9.5
3.	Customer C	A statutory body which develops and implements Hong Kong's public housing programme	Slope works	10	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	7,540	2.5
4.	Customer D	A Government department which provides monitoring advisory services, facilities upkeep and facilities development in relation to government-owned and government-funded facilities in Hong Kong	Slope works and ground investigation field works	10	Within 21 days from the issue of payment certificate; mainly by cheque	7,240	2.4
5.	Customer E	A listed company in Hong Kong which operates railway system and engages in property development	Slope works and ground investigation field works	5	Within 30 days from the issue of payment certificate; mainly by cheque	5,244	1.7
					Five largest customers combined	263,290	86.2
					All other customers	41,972	13.8
					Total revenue	305,262	100.0

For FY2015:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK$'000	*%*
1.	Customer A	A Government department which provides public civil engineering services in Hong Kong	Slope works	16	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	302,442	77.3
2.	Customer B	A Government department responsible for all land matters in Hong Kong	Slope works	10	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	26,254	6.7
3.	Customer F	A Government department which provides monitoring advisory services, facilities upkeep and facilities development in relation to government-owned and government-funded facilities in Hong Kong	Slope works and ground investigation field works	10	Within 30 days from the issue of payment certificate; mainly by cheque	9,057	2.3
4.	Customer G	A statutory body which provides housing and related services in Hong Kong	Slope works	10	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	8,010	2.0
5.	Customer H	An entity which operates farm and botanic garden in Hong Kong	Slope works	2	Within 21 days from the issue of payment certificate; mainly by cheque	4,753	1.2
					Five largest customers combined	350,516	89.5
					All other customers	40,911	10.5
					Total revenue	391,427	100.0

For FY2016:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK$'000	*%*
1.	Customer A	A Government department which provides public civil engineering services in Hong Kong	Slope works	16	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	239,675	69.5
2.	Customer B	A Government department responsible for all land matters in Hong Kong	Slope works	10	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	19,943	5.8
3.	Customer I	An Government authority responsible for managing public hospital services in Hong Kong	Slope works	3	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	16,792	4.9
4.	Customer J	A Government department responsible for the planning, design, construction and maintenance of the public road system in Hong Kong	Slope works	10	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	12,018	3.5
5.	Customer H	An entity which operates farm and botanic garden in Hong Kong	Slope works	2	Within 21 days from the issue of payment certificate; mainly by cheque	7,159	2.1
					Five largest customers combined	295,587	85.8
					All other customers	49,179	14.2
					Total revenue	344,766	100.0

For 4M2017:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK$'000	*%*
1.	Customer A	A Government department which provides public civil engineering services in Hong Kong	Slope works	16	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	58,446	47.6
2.	Customer K	A joint venture formed by three construction companies, (1) Penta-Ocean Construction Co., Ltd.; (2) China State Construction Engineering (Hong Kong) Ltd.; and (3) Dong-Ah Geological Engineering Co., Ltd.	Ground investigation works	Since October 2016	Within 30 days from the issue of payment certificate; mainly by cheque	24,318	19.8
3.	Customer J	A Government department responsible for the planning, design, construction and maintenance of the public road system in Hong Kong	Slope works	10	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	9,924	8.1
4.	Customer L	A construction contractor which is a subsidiary of a company listed in Hong Kong (stock code: 983)	Slope works	5	Within 14 days from the issue of payment certificate; mainly by telegraphic transfer	4,987	4.1
5.	Customer B	A Government department responsible for all land matters in Hong Kong	Slope works	10	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	4,661	3.8
					Five largest customers combined	102,336	83.4
					All other customers	20,510	16.6
					Total revenue	122,846	100.0

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

Customer concentration

For FY2014, FY2015, FY2016 and 4M2017, the percentage of our total revenue attributable to Government departments and statutory bodies amounted to approximately 85.6%, 90.7%, 86.6% and 63.2% respectively. Our Directors consider that such customer concentration is not uncommon for construction companies within the slope works industry in Hong Kong, and that our Group's business model is sustainable despite such customer concentration due to the following factors:

- Since 1977, the Government, through the Geotechnical Engineering Office (formerly known as Geotechnical Control Office before 1991) of CEDD, has been conducting studies and works to reduce landslide risk in Hong Kong in view of the geographical landscape (close proximity of slopes to buildings and infrastructure) and climate in Hong Kong (risk of seasonal torrential rainfall). Starting from 2010 onwards, the Government has implemented the Landslip Prevention and Mitigation Programme on a rolling basis which remains in force until 2020. Any necessary landslip prevention and mitigation works for man-made slopes and natural hillside catchments under Government's maintenance responsibility are implemented under the Landslip Prevention and Mitigation Programme. For further details of the Landslip Prevention and Mitigation Programme, please refer to the section headed "Industry overview – Slope works industry – Landslip Prevention and Mitigation Programme" in this document. For private slopes found to be liable to become dangerous, statutory actions are taken against the responsible private owners by the Buildings Department through the Buildings Ordinance to ensure slope rectification works are undertaken. The Government has stated that it is determined to continue its rigorous efforts to minimise the risk of landslips in Hong Kong to ensure public safety.

- Based on the information available on the CEDD's website, the Geotechnical Engineering Office of CEDD has spent about HK$21.5 billion on landslip prevention and mitigation studies and works from 1977 up to 31 March 2017, with about 5,623 Government man-made slopes upgraded, about 5,834 studies of private man-made slopes completed, and mitigation measures for 207 natural hillside catchments implemented.

- According to the Government's statement upon the launch of the Landslip Prevention and Mitigation Programme in 2010, the Government estimated that the annual expenditure on the Landslip Prevention and Mitigation Programme would be at least HK$600 million, and the Landslip Prevention and Mitigation Programme would be implemented on a rolling basis annually to upgrade 150 Government man-made slopes, to conduct safety-screening studies on 100 private man-made slopes, and to implement studies and necessary risk mitigation works for 30 natural hillside catchments per year.

- According to the 2016 Annual Report on Government Slope Safety Works published by the Geotechnical Engineering Office of CEDD, there are currently about 60,000 sizable man-made slopes in Hong Kong and about two-thirds of these man-made slopes are Government slopes.

- Our Directors consider that our competitive strengths, in particular our outstanding performance ratings under the contractors' performance index system as appraised by the Development Bureau and our leading market position in the slope works industry (details of our competitive strengths are set out in the paragraph headed "Competitive strengths" in this section), give us a competitive edge when tendering for public works contracts. Furthermore, a majority of our five largest customers had stable business relationship with us. Our Directors consider that we have a complementary business relationship with our public sector customers because as a leading slope works contractor in Hong Kong, our project management experience, our proven track record as a quality main contractor in handling slope works projects as demonstrated by our outstanding performance ratings under the Contractors' Performance Index System, our design capability, our extensive industry knowledge and the invaluable professional input from our renowned consultants give considerable business advantage to our public sector customers to ensure their projects are executed on time, within budget and in accordance with their quality standards.

- In order to tender for Government works contracts on landslip prevention and mitigation, a contractor must be an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls". Please refer to the paragraph headed "Licences and permits" in this section for further details. The financial, technical and management requirements for the application and retention on such list represent a certain level of entry barriers against new entrants from entering the slope works industry according to the Ipsos Report. According to the information available on the website of the Development Bureau, as at 30 April 2017, there were an aggregate of only 38 such approved contractors included in the List of Approved Specialist Contractors for Public Works under the category of "Landslip preventive/remedial works to slopes/retaining walls", of which 15 were on probation and 23 (including Geotech Engineering, our principal operating subsidiary) had a confirmed status. Our qualifications, registrations and certificates, details of which are set out in the paragraph headed "Licences and permits" of this section, have positioned as well to compete with our market players and maintain our leading position.

- For FY2014, FY2015, FY2016 and 4M2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 70.1%, 77.3%, 69.5% and 47.6% respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 86.2%, 89.5%, 85.8% and 83.4% respectively.

Marketing activities

During the Track Record Period, we secured new businesses mainly through open tender or tender by invitation. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in slope works projects

such that we do not rely heavily on marketing and promotional activities. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities.

Pricing policy

Our pricing is determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis. We estimate our cost of undertaking a project with reference to the following factors:

(i) the scale and complexity of the project and any difficulties in performing the works including those in relation to possible difficult sub-soil conditions;

(ii) the overall cost expected to be incurred in undertaking the project with reference to preliminary quotations obtained from our subcontractors as well as the costs of construction materials, labour, machinery and other resources required based on prevailing market conditions;

(iii) the project schedule and the expected completion date required by customers; and

(iv) the prevailing market conditions in general.

When preparing for a tender, we also take into account the estimated material cost with reference to the relevant price indicators on the material and labour prices. Price indices which may be used include the index for the average daily usages of workers engaged in the public sector construction projects and the index for the average wholesale prices of selected materials complied and published by Census and Statistics Department. We will also obtain quotations from our subcontractors for preparation of the bills of quantities or schedule of rates which would form part of the tender document and govern the relevant material costs for a project. Furthermore, we determine a certain percentage of markup over our estimated cost on a project-by-project basis. The markup percentage may vary for different projects due to factors such as the scale and complexity of the project, the likelihood of any material deviation of the actual cost from our estimated cost having regard to the types and cost of direct labour, machinery and equipment, materials and other resources involved in our cost estimations as well as the prevailing market conditions.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making projects as a result of material inaccurate estimation or cost overruns, nor did we experience any material delay in commencement and execution of our projects.

Credit policy

Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customer and the key contract terms stipulated in the relevant tender document. Further details in respect of the factors considered in the course of preparation of a tender proposal are set out under the paragraph headed "Operation flow" in this section.

After entering into a formal contract, our finance department will monitor payments from the customer. For outstanding balances overdue, our management and project team will be alerted and appropriate follow-up actions will be taken.

Credit terms given to our customers are generally set out in the relevant contract. Generally, payment is due within 21 to 30 days after the issue of the payment certificate by the authorised person or the invoice date of the relevant contract (as the case may be). Settlement is normally made by cheque or bank transfer. The number of trade receivables turnover days is approximately 22 days, 20 days, 22 days and 19 days for FY2014, FY2015, FY2016 and 4M2017 respectively. Further details on our trade receivables turnover days are set out in the paragraph headed "Financial information – Trade and other receivables – Trade and retention receivables" in this document.

Our Directors determine specific provision for doubtful debts on a case-by-case basis. Factors taken into account for such purpose include length of business relationship, past reputation, financial strength and repayment history of the relevant customers. We did not make any provision for doubtful debts during the Track Record Period.

Seasonality

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality.

Major terms of engagement with our customers

Our customers engage us on a project basis and our customers do not enter into long-term agreements with us. The following summarises the major terms of engagement with our customers:

Contract period	:	The period within which the project has to be completed commencing from the date when we are allowed to commence work at the works site. The contract period varies depending on the project size and complexity. However, such period may be extended pursuant to the terms of the relevant contract.
Scope of works	:	This term identifies the types and scope of the work in detail which we are engaged to perform under the contracts. For details, please refer to paragraph headed "Our business model" in this section.
Bills of quantities or schedule of rates	:	Most of our contracts would include the bills of quantities or schedule of rates which generally contain the description of the types of work, specifications, quantities of works to be done and the unit rates for each type of works under the project.
Payment terms	:	For interim or progress payment, we generally provide our customers with a written statement of the details of completed works, the estimated fee of our work done along with any variation orders (if any) and the costs of the materials delivered under the contract on a monthly basis. In respect of final payment, we usually issue final account showing the amount we are entitled to for our customers' approval. For details, please refer to the paragraph headed "Operation flow – Implementation phase" in this section.
Retention money	:	Our customers may hold up a certain percentage of each interim payment made to us as retention money. A portion of contract value is usually withheld by our customers as retention money. The amount of retention money, which depends on negotiation with our customers, generally represents 5% to 10% of the value of the works done. Retention money withheld are normally released to us after the receipt of completion certificate and/or the expiry of the maintenance period.

Contract price adjustment mechanism	:	For contracts in which we act as main contractor, in order to protect the contractors' risk from certain changes in the costs of labour and materials used in the public sector projects, most of our public sector contracts provide for a contract price adjustment mechanism (both upward and downward adjustments) with reference to certain price indices. Price indices which may be used include the index for the average daily wages of workers engaged in the public sector construction projects and the index for the average wholesale prices of selected materials compiled and published by the Census and Statistics Department. For contracts where we act as subcontractor, generally, we are not subject to any price adjustment mechanism.
Surety bonds	:	In order to guarantee satisfactory completion of a project by contractor, it is common for customers from certain private sector projects to request for surety bonds issued by a bank or an insurance institution in favour of the customers according to the contract terms and conditions. Generally, the amount of surety bonds required for each project would not exceed 10% of the tender sums. We are normally required to pay up to a certain percentage of the amount of the performance bond to the banks or insurance companies in order for them to issue the performance bond in favour of our customers. Such amount is usually released back to us after project completion. During the Track Record Period, no performance bond was called by our customers by reason of non-performance of any of our projects.
Liquidated damages	:	A contract may contain clauses on liquidated damages to protect our customers against any significant delay in completion of works subcontracted to us. However, under certain circumstances such as poor weather conditions or issue of variation orders, our customers may grant us extension of time without a need to pay liquidated damages to our customers. During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us by reason of late completion of any of the contracts undertaken by us.

Insurance	:	For contracts in which we act as main contractor, we are required to obtain adequate insurance cover for our projects, details of which are set out in the paragraph headed "Insurance" of this section.
Termination	:	If, in the opinion of our customers, we fail to execute the works in accordance with our customers' requirements and our works are unsatisfactory or likely to be so and cause unduly delay to the overall progress of the project, our customer may terminate our contract by giving advance notice of intention to do so.
Maintenance period	:	We are generally subject to a maintenance period and we are responsible for rectifying all defective works, if any, at our own expense during such period. The maintenance period, which is normally 12 months depending on the nature and scale of the project, commences upon the date of practical completion of the contract. Likewise, we would require a similar maintenance period from our subcontractors. If there are any defects found by our customers on works performed by our subcontractor, the relevant subcontractor is responsible for rectifying the defective works in accordance with the defect liability clause of the subcontracting agreement entered into with our Group and thus such subcontractor shall bear all the costs in rectifying the defective works. For public works contract, our customers may issue maintenance certificate to us upon expiry of the maintenance period. During the Track Record Period, there was no material claim brought against our Group by our customers and the cost incurred for rectifying defective works was immaterial.

INVENTORIES

We do not maintain any inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis.

SUPPLIERS

Characteristics of our suppliers

During the Track Record Period, our suppliers principally included the following:

- ***Subcontractors:*** For a majority of our contracts, we act as the main contractor and delegate works to subcontractors under close supervision and management of our project management team. For FY2014, FY2015, FY2016 and 4M2017, our subcontracting charges represented approximately 78.0%, 79.7%, 76.7% and 83.4% of our direct costs.

- ***Suppliers of construction materials:*** For projects which we act as main contractors, construction materials such as concrete, steel reinforcement and soil nail system may be sourced (i) by us directly; or (ii) by us on behalf of subcontractors which settle the relevant purchase costs directly or the purchase costs paid by us are typically settled by our subcontractors by way of deduction of the subcontracting charges payable to such subcontractors. For projects which we act as subcontractor, construction materials may be purchased (i) by us directly; or (ii) by the main contractor who settles the purchase cost by way of deduction of our subcontracting charges payable to us.

During the Track Record Period and up to the Latest Practicable Date, substantially all of our suppliers were located in Hong Kong and our purchases are denominated in HK$.

Reasons for subcontracting arrangement

For contracts in which we act as main contractor, we delegate works to the subcontractors under our close supervision and management. The scope of works to be subcontracted depends on our available internal resources, cost effectiveness, qualifications or specialist requirements, and level of work complexity. Our Directors consider that it is a common practice in Hong Kong slope works industry for main contractors to allocate parts of the site works to subcontractors. With the engagement of subcontractors, we can enhance our resources to undertake more projects which are labour intensive and require construction skills through a significant pool of workers and technical staff in specific work trades. Such arrangement enables us to focus on quality control and overall project management and allows us to allocate our resources in a more cost-effective manner.

For the contracts in which we act as subcontractor, subject to our capacity, resources level, cost effectiveness, complexity of the projects and customers' requirements, we may subcontract our slope works such as geotechnical works, drainage works, earthworks, concreting, formwork erection, fixing steel bar and landscaping to other subcontractors in a project. We are accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractor for a project and do not limit which subcontractor to be used by us.

During the Track Record Period, our subcontracting charges with related parties (including U-Win C&E and Shun Hip) amounted to approximately HK$85.5 million, HK$107.4 million, nil and nil respectively, representing approximately 41.6%, 40.7%, nil and nil to our Group's total subcontracting charges for FY2014, FY2015, FY2016 and 4M2017 respectively.

It is the view of our Directors that each of the subcontracting transactions with our related parties were conducted in the ordinary and usual course of business and on normal commercial terms between the related parties and us or on terms no less favourable than terms available from independent third parties, and were fair and reasonable and in the interest of our Group and our Shareholders as a whole and would not distort our results during the Track Record Period.

Basis of selection of our subcontractors and suppliers

We maintain an internal list of approved subcontractors. We carefully evaluate the performance of our subcontractors and select subcontractors based on a number of factors such as their background, technical capability, experience, fee quotations, service quality, track records, labour resources, timeliness of delivery, reputation and safety performance. We will review and update our internal approved list of subcontractors according to our assessment of their performance on an ongoing basis.

We maintain an internal list of approved suppliers. We carefully evaluate the performance of our suppliers and select them based on a number of factors such as their prices, quality, past performances and timeliness of delivery. We will review and update our internal list of approved suppliers according to our assessment of their performance on an ongoing basis.

Our Directors believe that we have maintained good business relationships with our subcontractors and suppliers. During the Track Record Period, we did not encounter any material difficulty in engaging subcontractors and sourcing supplies based on our needs.

Major suppliers

For FY2014, FY2015, FY2016 and 4M2017, the percentage of our purchases from our largest supplier amounted to approximately 20.3%, 21.4%, 15.2% and 23.2% of our total purchases respectively, while the percentage of our total purchases from our five largest suppliers combined amounted to approximately 57.7%, 49.8%, 51.2% and 46.8% of our total purchases respectively.

Set out below is a breakdown of our total purchases incurred by our five largest suppliers during the Track Record Period and their respective background information:

For FY2014:

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK$'000	*%*
1	U-Win C&E	Construction contractor	Subcontracting of slope works	11	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	46,643	20.3
2	Supplier A	Construction contractor	Subcontracting of slope works	6	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	25,819	11.3
3	Shun Hip	Construction contractor	Subcontracting of slope works	6	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	24,152	10.5
4	Supplier B	Construction contractor	Subcontracting of slope works	4	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	19,301	8.4
5	Supplier C	Construction contractor	Subcontracting of slope works	7	Within seven days upon receipt of payments from customers; mainly by cheque	16,429	7.2
					Five largest suppliers combined	132,344	57.7
					All other suppliers	97,084	42.3
					Total purchases	229,428	100.0

For FY2015:

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK$'000	*%*
1	U-Win C&E	Construction contractor	Subcontracting of slope works	11	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	62,688	21.4
2	Shun Hip	Construction contractor	Subcontracting of slope works	6	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	26,611	9.1
3	Supplier B	Construction contractor	Subcontracting of slope works	4	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	19,771	6.8
4	Supplier D	Construction contractor	Subcontracting of slope works	11	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	19,052	6.5
5	Supplier C	Construction contractor	Subcontracting of slope works	7	Within seven days upon receipt of payments from customers; mainly by cheque	17,412	6.0
					Five largest suppliers combined	145,534	49.8
					All other suppliers	146,842	50.2
					Total purchases	292,376	100.0

For FY2016:

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK$'000	*%*
1.	U-Win C&E	Construction contractor	Subcontracting of slope works	11	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	38,553	15.2
2.	Supplier E	Construction contractor	Subcontracting of slope works	3	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	27,142	10.7
3.	Suppler B	Construction contractor	Subcontracting of slope works	4	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	23,009	9.1
4.	Supplier C	Construction contractor	Subcontracting of slope works	7	Earlier of seven days after receipt from customer; mainly by cheque	21,678	8.5
5.	Supplier F	Construction contractor	Subcontracting of slope works	2	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	19,494	7.7
					Five largest suppliers combined	129,876	51.2
					All other suppliers	123,756	48.8
					Total purchases	253,632	100.0

For 4M2017:

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK$'000	*%*
1.	Supplier B	Construction contractor	Subcontracting of slope works	4	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	22,775	23.2
2.	Shun Hip	Construction contractor	Subcontracting of slope works	6	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	6,193	6.3
3.	Supplier C	Construction contractor	Subcontracting of slope works	7	Earlier of seven days after receipt from customer; mainly by cheque	6,045	6.2
4.	Supplier G	Construction contractor	Subcontracting of slope works	3	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	5,710	5.8
5.	Supplier F	Construction contractor	Subcontracting of slope works	2	Earlier of seven days after receipt from customer or monthly progress payment with credit period of 60 days; mainly by cheque	5,215	5.3
					Five largest suppliers combined	45,938	46.8
					All other suppliers	52,341	53.2
					Total purchases	98,279	100.0

Our Controlling Shareholders and/or their associates were interested in U-Win C&E and Shun Hip for FY2014 and FY2015. Save as disclosed above, none of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period. Please refer to the paragraph headed "Relationship with the Controlling Shareholders – Excluded business" in this document for further details.

Prices of supplies

Subcontracting charges may be represented by a fixed sum or a percentage of the contract value of our main contract unless there is a variation order or additional works to be performed by the subcontractors with our prior consent. The subcontracting charges are

arrived at by reference to the quotation provided by the subcontractors and the assessment of amount of work to be completed by the subcontractors. Subcontracting charges represent direct costs paid or payable to our subcontractors to carry out slope works include wages for subcontractors' employees and procurement costs of construction materials and machinery sourced through our subcontractors.

Prices of other supplies are determined by reference to quotations of suppliers as agreed between us and the suppliers on an order-by-order basis. Our Directors consider various factors, including but not limited to the future price trend of the materials and services when preparing tender proposals and hence we could generally pass on the increase in costs to our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of materials and services that had a material impact on our business, financial condition or results of operations.

Major terms of engagement with our subcontractors

We engage our subcontractors on a project basis and do not enter into long-term agreements with subcontractors. The following summarises the major terms of engagement with our subcontractors:

Contract period	:	The duration of the subcontracting agreement is in line with the duration of the main contract between us and our customer.
Rights and obligations of the subcontractor	:	A subcontractor is required to comply with the relevant terms and perform its works in accordance with the specifications under the main contracts on a back-to-back basis.
Subcontracting charges and payment terms	:	We generally pay our subcontractors within seven days after we receive payment from our customers pursuant to the terms of the main contract or pay monthly progress payment with credit period of 60 days, whichever is earlier. We verify the actual works completed by our subcontractors and where necessary, deduct the purchase costs for any construction materials purchased by us on their behalf. Payment will be made to our subcontractors after conducting such verification process. The credit period granted by our subcontractors is normally within 60 days upon issuance of invoice. Therefore, our Directors consider that our payment pattern does not deviate from the requirements stipulated in the SOPL and our payment practice, cash management and liquidity will not be affected by the SOPL if it becomes effective.

Site utilities	:	Water, electricity and lighting is provided by our Group for site operations.
Retention monies and maintenance period	:	We may hold up a certain percentage of each interim payment made to the subcontractors as retention money. Such percentage generally ranges from 5% to 10% of the interim payment. Unless otherwise agreed, the retention monies or such portion thereof shall be held for twelve months after the satisfactory completion of the subcontracting works. During this period, the subcontractor shall keep its work in repair or make good any faulty work at his own expense.
Termination	:	If the subcontractor leaves the work uncompleted, or fails to complete the work on the date for completion, or, if in the opinion of our project manager the work is unsatisfactory or likely to be so and causes unduly delay to the overall progress of the main contract, our Group may terminate the subcontracting agreement by giving advance notice of intention to do so.
Management and supervision	:	The subcontractor is required to designate a representative at the job site to supervise their works and liaise with our Group.
Indemnity	:	Subcontractors are required to indemnify our Group against any loss, expense or claim arising from the failure to comply with subcontracting agreement by the subcontractor and/or its employees. We are entitled to hold our subcontractors liable for any loss and/or damage suffered by our Group if their works are not performed in accordance with the requirements set out in the main contract.

Control over subcontractors

We may be liable to our customers for the performance of our subcontractors and we may also be liable to any potential employee compensation claims and personal injuries claims made by our subcontractors' employees arising from work injuries that may happen from time to time. Therefore, we carry out regular assessment of our subcontractors during the course of a project to ensure quality and safety of their works. In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. Our project management personnel resides at the project site and conducts regular site inspection to ensure general compliance by our subcontractors in quality, safety and environmental requirements. During project implementation, our project team regularly meets with our subcontractors and closely monitors their work progress and

performance as well as their compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality control", "Occupational health and safety" and "Environmental protection" in this section.

Our Group has adopted the following key measures to ensure the subcontractors comply with our Group's quality control and safety policies:

- We will hold subcontractors' safety committee meeting every month to (a) review our safety measures on a monthly basis to assess our the adequacy and effectiveness in mitigating the risks of recurrence of accidents and injuries to workers of subcontractors on our Group's sites; and (b) provide internal safety trainings to the workers of our subcontractors on a monthly basis. Furthermore, we organise tool box training to our workers as well as subcontractors' workers on internal safety guidelines on a monthly basis.

- We will perform sites inspection every week to enhance the safety monitoring on the site where employees of our subcontractors are working. The inspection focuses on checking whether our subcontractor have implemented our safety guidelines, such as whether they have worn adequate safety equipment including safety footwear, gloves, goggles and safety harness and whether guardrail have been put up around the working platforms.

- We have established a subcontractors performance assessment form to analyse the performance of our subcontractors. Our project managers and/or site agents will conduct an annual appraisal of the suppliers and subcontractors, and endorsed by our executive Directors, Mr. Kung and Ms. Tang.

- We will perform day-to-day site supervision and testing activities are carried out by our project management team over the work performed by our subcontractors for the purpose of ascertaining if the service provided by them conform to the contractual specifications and requirements. In-process inspections and testing on site at various stages of the project are conducted to ensure satisfaction with the requirements of our customers.

During the Track Record Period and up to the Latest Practicable Date, we do not have any material dispute or claim with our subcontractors and other suppliers.

Designated Workers for Designated Skills Provision

On 1 April 2017, the "designated workers for designated skills" provision under the Construction Workers Registration Ordinance came into effect, whereby construction workers will generally be forbidden from undertaking the construction works of the designated trade divisions unless they are registered skilled or semi-skilled workers for the relevant trade division or under the instruction and supervision of the relevant skilled or semi-skilled workers. Please refer to the section headed "Regulatory overview – Labour, health and safety – Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong

Kong)" in this document for further details. Our Group will ensure that the employees of our subcontractors are registered skilled and semi-skilled workers under the designated trade divisions for the slope works projects undertaken by us.

Concentration of suppliers

For FY2014, FY2015, FY2016 and 4M2017, our five largest suppliers accounted for approximately 57.7%, 49.8%, 51.2% and 46.8% of our total purchases whereas our largest supplier accounted for approximately 20.3%, 21.4%, 15.2% and 23.2% of our total purchases for the same periods respectively. Despite such concentration of suppliers, our Directors consider that we are not overly reliant on any single supplier because:

- some of the projects undertaken by us were of relatively large contract sum and could last for a relatively long period of time, and when we engage a subcontractor for a sizeable project, a substantial amount of subcontracting charges may be payable to such subcontractor, resulting in it becoming one of our largest suppliers in a financial year/period;

- our Directors consider that there are abundant suppliers providing the same kind of services (as the case may be) in the market; and

- as at the Latest Practicable Date, we maintain a list of 110 approved suppliers which is reviewed and updated by us periodically. Our Directors consider that our comprehensive list of approved suppliers already assures a reasonably diversified base of reliable suppliers which meet our quality standard.

QUALITY CONTROL

To maintain consistent quality services for our customers, we have established formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2008. We have in-house quality assurance requirements that conform to the ISO 9001:2008 quality standards specifying, among other things, specific work procedures for performing different types of site works, management process, responsibilities of personnel of different levels, tendering process, cost control, project planning, project management and supervision, quality inspection procedures and standards, subcontracting requirements and accident reporting and complaints. Our workers and our subcontractors are required to follow such procedures.

Mr. Kung and Ms. Tang, our executive Directors, are responsible for our overall quality control. For the background and industry experience of Mr. Kung and Ms. Tang, please refer to the section headed "Directors and senior management" in this document.

Quality control on our services

Our executive Directors, with the assistance of our project managers or assistant project managers, closely monitor the progress of each project to ensure that our service (i) meets our customer's requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant rules and regulations. In particular, we implement the following quality control measures:

- Prior to commencement of each project, our construction department prepares quality control plan which sets out customers' requirements and our quality standards with reference to performance indicators such as adequacy to follow the customers' specification of materials and workmanship, work progress, response to customers' instructions, site safety, site tidiness, control of nuisance and environmental management.

- Our project managers or assistant project managers assist our executive Directors to monitor overall work quality and project progress. Our site agents coordinate with our foremen to perform on-site inspections and supervise site workers on a daily basis. Our project managers will timely inform our executive Directors of the project status and any quality issues arising from project execution.

- We also closely supervise the work quality of our subcontractors. For our quality control measures over our subcontractors, please refer to the paragraph headed "Suppliers – Control over subcontractors" in this section. Our customers also conduct their own quality checks from time to time prior to making payment to us.

Quality control on construction materials

We closely monitor the quality of purchased materials. To ensure the quality of supplies, prior to ordering, our purchasing officer will ensure that the materials are sourced from our approved suppliers to ensure overall quality of supplies. Upon arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by our foremen before utilisation. During the inspection, we will check (i) whether the quantity is correct; and (ii) whether there is any observable defect. In addition, for certain public sector projects, our Group is also required to engage independent professionals or professionals appointed by our customers to perform inspection and quality tests on sample materials such as concrete, steel reinforcement and soil nail system. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement. Our customers would also inspect the materials used by us at project sites and verify the specifications from time to time.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or claim for compensation from our customers due to quality issue in relation to the services performed by us.

OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, the subcontractors and the general public in hazards. We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulations and managed by our safety and environmental team under the supervision of Mr. Yau, Mr. Kung and Ms. Tang, our executive Directors, whose background and industry experience are set out in the section headed "Directors and senior management" in this document.

Our occupational health and safety management system is certified to be in compliance with the standard required under OHSAS 18001:2007 since June 2016 as a recognition of the policies and procedures undertaken by our Group to address potential health and safety issues on our sites.

Occupational health and work safety measures

Due to the nature of works in the construction industry, workers at the sites are prone to safety hazards. In order to provide a safe and healthy working environment for our employees and our subcontractors and to ensure compliance with the applicable laws and regulations in Hong Kong, we implement our safety control policy at the commencement and during the implementation period of each project.

Our safety control policy is documented in writing and supplemented with instructions, training and demonstrations. We require strict implementation of and adherence to our safety control policy. Our safety department is responsible for monitoring and implementing our work safety measures. As at the Latest Practicable Date, our safety and environmental department consisted of 14 employees, of which 11 of them are qualified safety officers approved by the Labour Department. We will continue to put adequate resources and effort to uphold and improve our safety management system in order to reduce our risks related to safety issues.

Our safety control policy adopted and used during the Track Record Period sets out work safety measures to prevent common accidents which could happen at sites. Some details of our work safety measures are set out below:

- our safety manager will assist our executive Directors to (i) establish, approve and ensure the implementation of our work safety measures and review our work safety measures on an annual basis; (ii) arrange quarterly management meetings to review the implementation of our safety control policy; and (iii) discuss and countersign the monthly reports submitted by the safety officer;

- our project manager for each project shall (i) ensure from the planning stage that safety management system of work are incorporated into our proposed construction methods, and are subsequently adhered to; and (ii) assist in reviewing our work safety measures on an annual basis;

- our project manager will visit our sites at which the project is ongoing once a week;

- our safety manager shall (i) advise our management on the legal requirements affecting safety and health and assist in reviewing our work safety measures on an annual basis; (ii) anticipate possible hazards and recommend relevant procedures; (iii) carry out surveys and inspections to ensure that all relevant laws are being observed; (iv) submit monthly reports to the management, provide statistics and analysis on accidents and make recommendations for improvement;

- our safety officer shall (i) report and investigate accidents and dangerous occurrence, determine the causes and recommend means of preventing recurrence; and (ii) arrange safety training for all levels of employees and promote awareness of accident prevention;

- our safety supervisor shall (i) ensure compliance with relevant statutory duties and submit weekly reports to the safety officer; (ii) give instructions to site foreman and subcontractors on correct and safe working practices with the assistance of the registered safety officer; and (iii) take disciplinary actions against employees violating safety regulations and/or company safety procedures;

- our foremen shall co-operate with the safety officer/assistant safety officer to create good safety practices and ensure that all newcomers to the construction sites are aware of their safety obligations;

- all site personnel will undergo initial induction training for at least half a day, including core topics such as work safety measures, relevant health and safety regulations, emergency, rescue and typhoon procedure, hazards of the site, accident reporting and first aid procedures. Other matters pertinent at the time of induction, such as working at height, lifting operations and excavations will also be included. All supervisory personnel and operators will attend refresher courses at intervals of not exceeding twelve months; and

- we organise safety walk which is an unscheduled examination of a working area, frequently undertaken as a group exercise by our site agent, safety officer, safety supervisor, site foreman and the relevant subcontractor's representative to assess general compliance with safety requirements. We also organise safety inspection which is a scheduled inspection of premises or working area to assess levels of legal compliance and observation of our safety procedures. This will be conducted by safety officer/assistant safety officer on a weekly basis.

During the Track Record Period, our Group appointed registered safety auditor to conduct regular safety audits on Geotech Engineering, our key operating subsidiary, and the respective projects undertaken by us as required under the Safety Management Regulation. These audits revealed that the safety management system adopted by our Group was in compliance with the requirements under the Safety Management Regulation.

However, despite our work safety measures detailed above, we may not have complete control of our employees and subcontractors and there is a risk that they may fail to comply with our workplace policies and measures all the time as disclosed in the paragraph headed "Risk factors – Personal injuries, property damages or fatal accidents may occur if work safety measures are not followed at the construction sites" in this document. Therefore, injuries may still occur and during the Track Record Period, we were involved in litigation claims including certain ongoing criminal litigation in relation to alleged failures in the safety management system as detailed in the paragraph headed "Litigation and potential claims" in this section.

Directors' and Sole Sponsor's views on work safety measures

Given our extensive work safety measures set out above, our Directors' view that accidents are not uncommon in the industry, the number and nature of the accidents during the Track Record Period and up to the Latest Practicable Date, our below industry average accident rate and zero fatality rate during the Track Record Period, corresponding safety measures implemented as set out in the paragraph headed "Occupational health and work safety measures" of this sub-section and taking into account the work safety management system adopted by us in accordance with OHSAS 18001:2007 international standards, our Directors are of the view, and the Sole Sponsor concurs, that our Group's work safety measures are sufficient and effective.

System of recording and handling accidents and our safety compliance record

For projects that we act as main contractor, when there is an accident at our site we require any injured worker or person who witnessed the accident to report to our site representative or safety officer for the purposes of collecting information for processing employees' compensation claims as well as compliance with the relevant regulations in Hong Kong regarding the reporting of all work injuries at our sites to the Labour Department. For projects that we act as subcontractor, we require our workers or employees of our subcontractors to report any accident to us and the main contractors. To ensure proper recording and handling of work injuries, we follow a general procedure as below:

- ***Fact finding and follow-up actions***

  – Our safety officer will investigate the accident by visiting the accident scene, examining the equipment and/or material involved and taking statements from the injured worker, witness(es) of the accident and other personnel in relation to the project.

  – Remedial actions will be taken by our project management team to remove imminent danger and to prevent occurrence of similar accidents in the future. Our safety officer will also carry out follow-up inspection to ensure that remedial works are implemented.

- ***Reporting***

- Our safety officer will prepare a work injury report and, if it is an employee injury reportable case, submit it to the Labour Department within the period as specified under the relevant laws and regulations.

- Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser (if necessary).

- ***Settlement or litigation***

  - Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

During the Track Record Period and up to the Latest Practicable Date, there were 15 accidents involving our employees and/or our subcontractors' employees which gave rise or may give rise to potential employees' compensation claims and/or personal injury claims. Furthermore, there were seven accidents which took place before commencement of the Track Record Period, but the employees' compensation claims and/or personal injury claims resulting from such accidents have been settled during the Track Record Period.

The table below sets out the nature of the 15 accidents occurred during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	**Number of accidents**
Injured whilst lifting or carrying	5
Slip, trip or fall on same level	1
Fall of person from height	2
Striking against fixed or stationary object	2
Struck by moving vehicle	1
Struck by moving or falling object	1
Others *(Note)*	3
Total	15

Note: 'Others' includes traffic accidents, foreign objects into eyes and contact with moving crane.

None of the aforesaid accidents resulted in fatality. We have adopted appropriate work safety measures to minimise the risks of accidents in our projects. Firstly, we provide regular safety training and provide relevant guidelines to workers concerning, among others, proper use of tools, wearing of appropriate safety equipment and common hazards. We also have safety officer conduct on-site supervision and regular inspection for our projects and recorded and issued warnings to workers which were found not to have complied with our systems and policies. In relation to potential hazards on-site such as slippery areas, moving machinery or holes, we will provide appropriate warning signs in the vicinity or fence off the area. Finally, we provide suitable safety equipment including safety footwear in slippery

areas, safety harnesses and lifelines for workers working from high areas, suitable helmets to prevent injuries caused in connection with striking against objects, suitable goggles to protect eyes from foreign objects.

Given our work safety measures and taking into account the circumstances of the accidents, our Directors believe that these 15 accidents mainly resulted from the relevant workers failing to comply with our work safety measures, failing to strictly observe our instructions on use of equipment and misusing tools or paying insufficient attention to the surrounding environment.

For further details of outstanding litigation and potential claims relating to employees' compensation claims or personal injuries claims under common law, please refer to the paragraph headed "Litigation and potential claims" in this section.

Save as disclosed above and to best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to accidents or breaches of workplace safety regulations.

We have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, these incidents did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section.

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between our Group and the industry average during the periods indicated:

	Construction Industry in Hong Kong *(Note 1)*	Our Group *(Notes 2 and 3)*
From 1 January to 31 December 2014		
Industrial accident rate per 1,000 workers in construction industry	41.9	12.1
Industrial fatality rate per 1,000 workers in construction industry	0.242	Nil
From 1 January to 31 December 2015		
Industrial accident rate per 1,000 workers in construction industry	39.1	13.3
Industrial fatality rate per 1,000 workers in construction industry	0.2	Nil
From 1 January to 31 December 2016		
Industrial accident rate per 1,000 workers in construction industry	N/A	5.3
Industrial fatality rate per 1,000 workers in construction industry	N/A	Nil

Notes:

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.16 (August 2016) published by Occupational Safety and Health Branch of the Labour Department.

2. Our Group's rates are calculated with reference to the number of injuries divided by the daily average number of site workers in our Group's construction sites during the year and multiply the result by 1,000.

3. The above data provided includes the employees of our Group and workers of subcontractors during the Track Record Period.

A comparison of the average accident rate of the slope works industry and that of our Group is not available given there is no relevant published data on the average accident rate of the slope works industry. The accident rate at our construction sites was lower than the construction industry average in Hong Kong for FY2014 and FY2015. A comparison of the industry's average accident rate and that of our Group's for FY2016 and 4M2017 is not available as there is no relevant industry average accident rate for such period as at the Latest Practicable Date.

It is also noteworthy that we have received repeated commendations from CEDD in relation to our good safety performance in various contracts. For further information regarding the commendations from CEDD, please refer to the paragraph headed "Awards and recognitions" in this section.

The following table sets out our Group's lost time injuries frequency rates ("**LTIFR(s)**") is set out during the periods indicated:

From 1 January 2014 to 31 December 2014	4.54
From 1 January 2015 to 31 December 2015	4.54
Form 1 January 2016 to 31 December 2016	1.77

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 in terms of loss days of our Group that 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 working hour of each worker is approximately 9 to 10 hours per day. The number of working days for the three calendar years ended 31 December 2016 were approximately 296 days, 296 days and 297 days respectively.

2. The above data provided includes the employees of our Group and workers of our subcontractors during the Track Record Period.

ENVIRONMENTAL PROTECTION

Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory overview" in this document.

We endeavour to minimise any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004 in May 2016. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. Specifically, we adopt the following measures to ensure proper management of environmental protection and compliance of environmental laws and regulations in the course of project execution:

- We prepare an environmental management plan for our public sector projects. An environmental management plan typically sets out the environmental protection measures such as noise reduction, air pollution control, water pollution control and waste management.

- Our environmental manager will designate our environmental officer to conduct site inspection on a daily basis to ensure that site works are carried out in accordance with the environmental management plan. Our environmental officer is responsible for monitoring the ongoing compliance with the environmental management plan and providing environmental training for on-site workers. We require our subcontractors to strictly comply with our environmental management plan on the basis of appropriate training.

- Our environmental officer provides advice to our environmental manager on environmental protection issues including noise abatement, air pollution control, water pollution control and waste management that are identified during daily inspection. This enables us to review and update the environmental management plan to cater for the site conditions and improve the effectiveness of the environmental management plan on an ongoing basis.

- We are required to report to our customers on the effectiveness of the implementation of the environmental management plan on a monthly basis. Our environmental officer assists our environmental manager to compile monthly environmental reports for submission to customers.

For FY2014, FY2015, FY2016 and 4M2017, approximately HK$12,000, HK$22,000, HK$4,000 and nil of Government levy on dumping of construction wastes were incurred respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

INSURANCE

It is common practice in the Hong Kong slope works industry, as well as a term of most slope works contracts between main contractors and customers, that the main contractor of a project will take out and maintain employees' compensation insurance and contractor's all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all of its subcontractors. However, the subcontractors are generally required to maintain insurance over their own machinery.

Projects undertaken by us and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurance. Depending on the terms of the relevant contracts, such insurances are taken out either by the main contractors (in the case of us being a subcontractor) or ourselves (as a main contractor). When acting as a subcontractor, we generally will not take out separate insurance policies but will rely on the insurance policies taken out and maintained by the relevant main contractor.

When we are the main contractor, our Group has insurance cover for its liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage, being a maximum limit of liability of up to HK$200 million per event. Our Group considers such insurance coverage being generally sufficient for its liabilities under employees' compensation claims and personal injuries actions.

Furthermore, we have also secured insurance coverage against, among other matters, loss of or damage to our motor vehicles and third-party liability in relation to the use of our motor vehicles for an amount of up to HK$100 million per event. In addition, we are covered by the insurance policy of the main contractor when we act as a subcontractor in a project.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

Our Directors also believe that the above arrangements are consistent with the industry practice in Hong Kong. We consider that the aforesaid insurance coverage is sufficient for our liabilities under employees' compensation claims and personal injuries actions at the project sites. Taking into account the insurances taken out by our Group, our Directors believe that we have obtained adequate insurance coverage for the operation of our business. For FY2014, FY2015, FY2016 and 4M2017, our insurance expenses were approximately HK$4.6 million, HK$4.1 million, HK$3.2 million and HK$0.6 million respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

EMPLOYEES

As at the Latest Practicable Date, we had 107 full-time employees who were directly employed by our Group in Hong Kong. The following table sets out a breakdown of the number of our employees by functions:

Directors and general management	5
Administration, accounting and finance	20
Project management and supervision	26
Safety and environmental compliance	14
Engineering and surveying	20
General and site staff	22
	107

Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes, save as disclosed in the paragraph headed "Litigation and potential claims" in this section. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to a probation period ranging from one month to three months. We endeavour to use our best effort to attract and retain appropriate

and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We provide various types of trainings to our employees and sponsor our employees to attend various training courses, including those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council.

Remuneration policy

The remuneration package our Group offered to our employees includes salary, bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Our Group operates MPF scheme for all qualifying employees in Hong Kong. During FY2014, FY2015, FY2016 and 4M2017, the total expenses recognised in the combined statements of comprehensive income amounted to approximately HK$1.3 million, HK$1.5 million, HK$1.4 million and HK$0.5 million respectively, which represents contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

Requirements under the Immigration Ordinance

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the paragraph headed "Regulatory overview – Labour, health and safety – Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)" in this document.

Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting to the best of our Director's knowledge, information and belief) in the past in respect of work sites over which we had or have control or of which we are or were in charge. We have not been subject to any prosecution of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. We have implemented the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site:

- Our human resources and administrative officers shall inspect and take copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong.

- Our subcontractors are required to hire only persons who are lawfully employable to work on site and to prevent any illegal worker to enter the site.

- Our foremen are responsible for inspecting the personal identification document of each worker and shall refuse any person who does not possess proper personal identification document from entering the site.

- For projects awarded by CEDD, Lands Department and the Highways Department, we appoint a labour officer who shall be responsible for, among other things, inspecting the personal identification document of each worker and preventing illegal workers from entering the site and from taking employment on site.

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.

PROPERTIES

As at the Latest Practicable Date, we did not own any land or property but we leased the following properties for our business operations, all from independent third parties:

	Properties	Monthly rental *HK$*	Use of the property	Expiry date of the tenancy	Size *sq.ft.*
(1)	Unit 05-08, 11/F. Delta House 3 On Yiu Street, Shek Mun New Territories	60,180	Office	30 November 2017	3,540
(2)	Unit 01, 12th Floor Metro Loft 38 Kwai Hei Street Kwai Chung, New Territories	16,800	Project office	31 July 2017	1,059
(3)	Unit 02, 12th Floor Metro Loft 38 Kwai Hei Street Kwai Chung, New Territories	13,000	Project office	31 July 2017	840
(4)	Unit 03, 12th Floor Metro Loft 38 Kwai Hei Street Kwai Chung, New Territories	14,000	Project office	31 July 2017	899

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered three trademarks in Hong Kong, which are intended to be used by our Group to foster our corporate image. We also applied for another trademark in Hong Kong but given the notice of the opinion of Registrar of Trademarks that the requirements for registration were not met and we do not believe this trademark is material to our business, we intend to let such application lapse. Our Group has also registered two domain names. Please refer to the paragraph headed "B. Further information about the business – 2. Intellectual property rights of our Group" in Appendix V to this document for further details of our intellectual property rights.

As at the Latest Practicable Date, (i) we were not aware of any dispute or infringements by our Group of any intellectual property rights owned by third parties, and (ii) we were not aware of any dispute or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

AWARDS, RECOGNITIONS AND PERFORMANCE RATINGS

We have received a number of awards or certificates during our operating history in recognition of our commitment and dedication to our quality management system, occupational health and safety management and environmental compliance. The following table summarises the awards or certifications obtained by our Group:

Certifications for compliance with ISO/OHSAS requirements

Nature	Certification	Issuing organisation	Validity period
Quality Management System	ISO 9001:2008 *(Note)*	Accredited Certification International Limited	31 May 2016 – 15 September 2018
Environmental Management System	ISO 14001:2004 *(Note)*	Accredited Certification International Limited	31 May 2016 – 15 September 2018
Occupational Health and Safety Management System	OHSAS 18001:2007 *(Note)*	Accredited Certification International Limited	31 May 2016 – 31 May 2019

Note: The scope covers (i) the construction of landslip preventive and remedial works to slopes and retaining walls; (ii) construction of civil engineering works (site formation); and (iii) provision of ground investigation and geotechnical instrumentation services.

Awards in recognition of our Group's quality services, safety and environmental compliance

Date of grant	Award or recognition	Issuing organisation	Description
February 2017	Winner of Best LPM Contractor Competition 2016	CEDD	In recognition of our maximum ratings under the Contractors' Performance Index System
September 2016	15th Hong Kong Occupational Safety and Health Award Safety Performance Award – Construction	Occupational Safety and Health Council	In recognition of our good occupational safety performance in certain contracts

Date of grant	Award or recognition	Issuing organisation	Description
January 2016	Winner of Best LPM Contractor Competition 2015	CEDD	In recognition of our maximum ratings under the Contractors' Performance Index System
July 2015	14th Hong Kong Occupational Safety and Health Award Safety Performance Award – Construction	Occupational Safety and Health Council	In recognition of our good occupational safety performance in certain contracts
May 2015	21st Considerate Contractors Site Awards (Public Works – New Works) – Merit Award	Jointly awarded by WBDB and Construction Industry Council	In recognition of our good construction site safety performance in certain contracts
November 2013	Contractor Safety Performance Award – Civil Works Project (Safety Classification 1)	Mass Transit Railway Corporation Limited	In recognition of our good construction site safety performance in certain contracts
February 2013	Construction Industry Safety Award Scheme 2012/2013 Renovation and Maintenance Works Category – Gold Award	Occupational Safety and Health Council and Labour Department	In recognition of good Occupational Safety and Health Council performance
January 2013	Best Landslip Preventive Measures (LPM) Contractor of 2012 – Second runner-up	CEDD	In recognition of engineering works quality in landslip preventive measures
January 2012	Best Landslip Preventive Measures (LPM) Contractor of 2011 – Second runner-up	CEDD	In recognition of engineering works quality in landslip preventive measures
January 2011	Best Landslip Preventive Measures (LPM) Contractor of 2010 – Second runner-up	CEDD	In recognition of engineering works quality in landslip preventive measures
February 2009	Best Landslip Preventive Measures (LPM) Contractor of 2008 – Second runner-up	CEDD	In recognition of engineering works quality in landslip preventive measures
May 2008	Best Landslip Preventive Measures (LPM) Contractor of 2007 – First runner-up	CEDD	In recognition of engineering works quality in landslip preventive measures

Our performance ratings under the Contractors' Performance Index System

Geotech Engineering's quarterly performance ratings under the Contractors' Performance Index System under the category of "Landslip preventive/remedial works to slopes/retaining walls" as appraised by the Development Bureau, details of which are set out in the paragraph headed "Regulatory overview – Contractor licensing regime and operation – Contractors' Performance Index System" in this document, were consistently above the corresponding average ratings and median ratings for the last seven consecutive quarters up to the second quarter of 2015 and it achieved maximum ratings among all contractors being rated for the last seven consecutive quarters up to the first quarter of 2017. Geotech Engineering's quarterly performance ratings from the fourth quarter of 2013 up to the first quarter of 2017 are summarised as follows:

Reporting period	Landslip preventive/remedial works to slopes/retaining walls category *(Note)*
Fourth quarter of 2013	Higher than the median rating and the average rating
First quarter of 2014	Higher than the median rating and the average rating
Second quarter of 2014	Higher than the median rating and the average rating
Third quarter of 2014	Higher than the median rating and the average rating
Fourth quarter of 2014	Higher than the median rating and the average rating
First quarter of 2015	Higher than the median rating and the average rating
Second quarter of 2015	Higher than the median rating and the average rating
Third quarter of 2015	Equal to the maximum rating
Fourth quarter of 2015	Equal to the maximum rating
First quarter of 2016	Equal to the maximum rating
Second quarter of 2016	Equal to the maximum rating
Third quarter of 2016	Equal to the maximum rating
Fourth quarter of 2016	Equal to the maximum rating
First quarter of 2017	Equal to the maximum rating

Note: The performance ratings are not publicly accessible. Instead, each contractor will be advised of its performance rating in the form of a letter by post from the Development Bureau. Such letter also sets out the maximum, minimum, median and average ratings of contractors rated under each specific group of the relevant categories during the relevant period. No percentile or quartile information was provided in such letters.

In view of the significance of our outstanding performance ratings as stated above, the high performance ratings of Geotech Engineering gives us a competitive edge when tendering for public works contracts.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, we experienced a number of claims arising from personal injuries incidents suffered by our employees or subcontractors' employees as a result of accidents arising out of and in the course of their employment. Such personal injuries may lead to employees' compensation claims and common law personal injury claims brought by the injured worker against us:

- Employees' compensation claims. For information regarding the relevant laws in relation to employees' compensation claims, please refer to the paragraph headed "Regulatory overview – Labour, health and safety" in this document.

- Common law personal injury claims. An injured employee may also pursue common law personal injury claim (in addition to employees' compensation claim) if he/she alleges that the injury is caused by the employer's negligence, breach of statutory duty, or other wrongful act or omission. Any damages awarded under common law personal injury claims are normally reduced by the value of

the compensation paid or payable under the Employees' Compensation Ordinance. Under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the time limit for an applicant to commence common law personal injury claim is three years from the date on which the cause of action accrued.

Set out below are the details of (i) the ongoing litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date; (ii) the potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date; (iii) the litigation in relation to employees' compensation claims and common law personal injury claims against our Group settled or withdrawn during the Track Record Period and up to the Latest Practicable Date; and (iv) the criminal charges and our criminal convictions during the Track Record Period and up to the Latest Practicable Date. There are 15 injuries incidents happened during Track Record Period and up to the Latest Practicable Date and seven injuries incidents happened prior to the Track Record Period but settled during the Track Record Period and none of them are fatal incidents. Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry.

Ongoing litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

Geotech Engineering was named as a defendant in the course of our business as a main contractor or a subcontractor in respect of the following outstanding claims:

	Nature of the claim	Particular of the claim	Total amount involved for the ongoing claim	Insurance coverage	Status
1.	Employee's compensation claim	On 9 May 2015, the applicant, who was employed by our subcontractor in one of our projects, sustained injury to his back in the course of work.	To be assessed	Yes	Ongoing. The insurer has taken over the conduct of the claim.
2.	Employee's compensation claim	On 29 June 2015, the applicant, who was employed by our subcontractor in one of our projects, sustained injury to his right elbow in the course of work.	To be assessed	Yes	Ongoing. The insurer has taken over the conduct of the claim.
3.	Personal injury claim	On 30 April 2014, the plaintiff sustained injury to her head and eyes in the course of work. The employee's compensation claim of this incident has been settled and disclosed under item no. 9 under the paragraph "Litigation against our Group settled or withdrawn during the Track Record Period up to the Latest Practicable Date".	To be assessed	Yes	Ongoing. The insurer has taken over the conduct of the claim.

	Nature of the claim	Particular of the claim	Total amount involved for the ongoing claim	Insurance coverage	Status
4.	Personal injury claim	On 9 June 2015, the applicant, who was employed by our subcontractor in one of our projects, suffered from leg injury in the course of work. The employee's compensation has been settled and disclosed under item no. 14 under the paragraph "Litigation against our Group settled or withdrawn during the Track Record Period up to the Latest Practicable Date".	To be assessed	Yes	Ongoing. The insurer has taken over the conduct of the claim.

Our Group was named as a defendant in the course of our business in respect of the following outstanding criminal litigations:

	Particulars of the charges	Total amount involved for the ongoing claims	Insurance coverage	Status
1.	In May 2016, Geotech Engineering was charged by the Labour Department that it did failed to take adequate steps to prevent a person on the site from falling from a height of 2 metres or more, at a work site.	*(Note)*	As confirmed by our Directors, penalties arising from criminal claims are usually not covered by insurance.	The first appeal hearing will be held on 26 September 2017. *(Note)*
2.	In May 2016, Geotech Engineering was charged by the Labour Department that it did fail to ensure that a workman used the suitable goggles which was provided for the protection of the workman.	*(Note)*	As confirmed by our Directors, penalties arising from criminal claims are usually not covered by insurance.	The first appeal hearing will be held on 26 September 2017. *(Note)*
3.	In May 2016, Geotech Engineering was charged by the Labour Department that it failed to ensure that no workman remained on the site unless the workmen were wearing suitable safety helmets.	*(Note)*	As confirmed by our Directors, penalties arising from criminal claims are usually not covered by insurance.	The first appeal hearing will be held on 26 September 2017. *(Note)*

Note: Pursuant to the verdict of the magistrate court delivered on 6 December 2016, Geotech Engineering was convicted in the above cases and fined an aggregate amount of HK$17,000. As at the Latest Practicable Date, we have raised an appeal for all of these cases.

These cases arose from inspections in around October and November 2015 from representatives of the Labour Department. Our Directors believe such incidents occurred as certain employees and subcontractors' employees did not strictly adhere to our Group's work safety measures and relevant safety control policy during the inspections. We note that none of these cases arose from actual injuries and our Group had existing work safety measures to address each of the issues in the three cases including:

- in relation to measures to prevent falling from a height of 2 metres or more, we had secured fencing or barrier enclosing pits, coverage of completed excavation pits, secured safety harnesses and lifelines where needed and appropriate warning signs on-site;

- in relation to measures to prevent falling from heights, we had conduct more regular safety training such as safety trainings in relation to working at heights in relation to measures to ensure that a workman used the suitable goggles, we provided suitable googles, required employees to wear such googles and ordered those without such googles out of the site area;

- in relation to measures to ensure wearing of suitable safety helmets, we provided suitable safety helmets, required employees to wear such helmets and ordered those without such helmets out of the site area;

- in relation to measures to deter violations of our work safety measures generally, our practice is to remove our employees who repeatedly violate such measures from such projects and in relation to non-compliant subcontractors' employees, we will issue formal warning letters to such subcontractors.

We also conducted safety training for the workers, had our safety officer conduct on-site supervision and regular inspection for our projects and recorded and issued warnings to workers which were found not to have complied with our systems and policies. Given the aforesaid work safety measures, we do not accept the aforesaid allegations and the litigation are still ongoing as at the Latest Practicable Date. We had strictly adopted our work safety measures to minimise the risks of similar allegations of incidents in the future. For further details our Group's work safety measures and our enhanced measures, please refer to the paragraph headed "Occupational health and work safety measures" in this section.

Potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, there were 9 incidents which may give rise to potential employees' compensation and/or common law personal injury claims against Geotech Engineering. Potential claims refer to claims that have not been commenced against our Group but are within the limitation period of two years (for filing employees' compensation claims) or three years (for filing common law personal injury claims) from the date of the relevant incidents. Potential common law personal injury claims which may arise from incidents which involve ongoing employees' compensation claims are not counted

given the potential for settlement of all claims. Our Directors are of the view that the amount of any such potential claims to be borne by our Group shall be covered by the relevant insurance policies.

Litigations against our Group settled or withdrawn during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, Geotech Engineering has settled the following claims, which were covered by insurance policy:

	Nature of the claims	Particulars of the claims	Covered by insurance
1.	(i) Employee's compensation claim (ii) Personal injury claim	On 18 July 2010, the claimant sustained multiple injuries include his head, ribs, left wrist and left chest wall, in the course of work.	Yes
2.	(i) Employee's compensation claim (ii) Personal injury claim	On 8 July 2012, the claimant sustained back injury in the course of work.	Yes
3.	Employee's compensation claim	On 3 July 2013, the claimant sustained injury to his right calcaneus in the course of work.	Yes
4.	Employee's compensation claim	On 21 September 2013, the claimant sustained injury to his left eye in the course of work.	Yes
5.	Employee's compensation claim	On 19 October 2013, the claimant sustained sprain injury to his back in the course of work.	Yes
6.	(i) Employee's compensation claim (ii) Personal injury claim	On 7 May 2013, the claimant sustained right knee injuries in the course of work.	Yes
7.	Employee's compensation claim	On 29 July 2013, the claimant sustained injury to his eye in the course of work.	Yes
8.	Employee's compensation claim	On 10 January 2014, the claimant sustained injury to forehead in the course of work.	Yes
9.	Employee's compensation claim	On 2 April 2014, the claimant suffered from fracture of right forearm in the course of work.	Yes
10.	Employee's compensation claim	On 30 April 2014, the claimant sustained injury to her head and eyes in the course of work.	Yes

	Nature of the claims	Particulars of the claims	Covered by insurance
11.	Employee's compensation claim	On 20 October 2014, the claimant sustained injury to his left eye in the course of work.	Yes
12.	Employee's compensation claim	On 20 December 2014, the claimant suffered from low back sprain injury in the course of work.	Yes
13.	Employee's compensation claim	On 5 January 2015, the claimant sustained injury to his right hand in the course of work.	Yes
14.	Employee's compensation claim	On 17 March 2015, the claimant sustained injury to his chest in the course of work.	Yes
15.	Employee's compensation claim	On 14 May 2015, the claimant sustained injury to his ankle and his face in the course of work.	Yes
16.	Employee's compensation claim	On 9 June 2015, the claimant sustained injury to his leg in the course of work.	Yes

There are insurance policies in place to cover our potential liabilities in relation to the above. For details, please refer to the paragraph headed "Insurance" in this section.

During the Track Record Period, there were two traffic accidents involving our vehicles which had resulted in three potential common law claims from three individuals. All three of the claims were settled in the amount of approximately HK$377,000, HK$120,000 and HK$80,000 respectively, and were covered under our insurance policy.

We also had two criminal charges brought against Geotech Engineering and Yau Wing under the Construction Sites (Safety) Regulations in April 2016 alleging failure (i) to take adequate steps to prevent a person on the site from falling from a height of 2 metres or more, at a work site; and (ii) to ensure that no such scaffold was substantially added to or altered except by workmen who were adequately trained and possessed adequate experience of such work. However, we were acquitted of these charges pursuant to a order dated 20 September 2016.

No provision for litigation claims

Having considered, among other things, (i) the nature and the degree of injuries of the incidents; (ii) any payments made so far for settlement for the incidents; (iii) the status of the injured employees; (iv) the estimated total costs of treatment and potential claims against our Group of the incidents as assessed based on the experience of our management; (v) the

coverage of insurance policy; and (vi) our Group's historical litigation records, our Directors confirm that no provision for contingent liabilities in respect of ongoing and potential litigations is necessary.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix V to this document for details of the Deed of Indemnity. The Sole Sponsor is satisfied that the Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claims against our Group under the Deed of Indemnity. Save as disclosed above, our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, are not aware of any litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

Our Directors confirm that our Group did not receive any notices for any fines or penalties for any non-compliance that is material and systemic during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL

To enhance the effectiveness of our corporate governance, to strengthen our monitoring and internal control system and to ensure compliance with the relevant laws and regulations, our Group has engaged an independent internal control adviser, CT Partners Consultants Limited ("**CT Partners**"), to perform an internal control review under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management.

CT Partners has been engaged as an internal control adviser to provide internal control review services for more than 20 companies which are listed on the Stock Exchange and based in Hong Kong, Mainland, Singapore and Malaysia since 2013. The key members of its engagement team are the members of the Hong Kong Institute of Certified Public Accountants, the Certified Internal Auditor, the member of the Society of Chinese Accountants and Auditors, the fellow member of the Associations of Chartered Certified Accountants, the associate member of the Association of International Accountants, the member of Certified General Accountants Association of British Columbia, the associate of the Taxation Institute of Hong Kong and the Certified Tax Adviser (HK).

In April 2016, CT Partners has conducted and completed the first review of our internal control system, then advised the recommended measures. During the first review in April 2016, CT Partners did not identify any material deficiencies in our Group's internal control system. The internal control adviser has performed a follow up review in June 2016, on the implementation of the recommended measures on our internal control system and there was no findings of material weakness or insufficiency in our Group's internal control system. Our Group has adopted the following key measures in connection with our Group's business:

- A code of conduct has been established by our management and included in our staff handbook to govern the conduct of employees and management. The requirements have been acknowledged by each of our staff.

- Tendering and project management policies and procedures has been established by our management to govern project tendering, preparation, budgeting, completion, delivery, and reporting. The policies and procedures have been communicated to all relevant staff.

- Suppliers and subcontractors appraisal policies have been established in our internal control manual. Performance appraisal of the suppliers and subcontractors will be conducted annually on a set of pre-determined evaluation criteria. Our executive Director, Ms. Tang, is responsible for supervising the suppliers and subcontractors appraisal.

In order to ensure continued compliance with the Competition Ordinance, our Group has adopted the following key measures:

- Our executive Directors have reviewed the current publications and guidance materials issued by the Competition Commission established under the Competition Ordinance to understand the requirements and implications of the Competition Ordinance.

- Our executive Directors have reviewed our business practices to identify the areas and degree of risks in relation to compliance of our business with the requirements of the Competition Ordinance.

- Training(s) from legal professionals will be arranged for our management and employees to enhance their awareness of the effect and consequences of bid rigging and to ensure compliance with the Competition Ordinance. Effective whistle blowing policy is also in place to minimise the risk of fraudulent act, criminal offence or wrong doing in the work environment.

- Internal control procedures was set up to help our Group in detecting signs which may suggest the occurrence of bid rigging during the tendering process, including conducts periodic comparative analyses or review on (i) the bid price offered by subcontractor who is often the lowest bidder; (ii) subcontractor failing to bid on a tender which they would normally be expected to bid for, but continuing to bid for other tenders; (iii) bids from different companies containing a significant

number of identical estimates of the cost of certain items; (iv) price or price ranges offered by the subcontractor that cannot be explained by cost increases; and (v) a subcontractor's bid being much higher for a particular contractor than that subcontractor's bid for another similar contract.

- Any evidence of bid rigging or other forms of anti-competitive behavior may be reported to the appropriate authorities.

- We will from time to time seek advice from professional advisers on the effect of the Competition Ordinance on our business operations to ensure due compliance of the Competition Ordinance.

Our Group has also adopted the following anti-corruption measures:

- We have established anti-bribery policies and guidance in staff handbook and our staff are required to strictly follow the policies.

- Our staff are required to immediately report any suspected incidents of bribery and corruption to our executive Director, Ms. Tang, who will then carry out any further investigations if necessary and determine the appropriate course of action, and report and discuss with our Board.

- We will provide training to our staff and update on recent anti-bribery and corruption issues, when appropriate.

- Whistle blower programme has been in place and accessible by our staff and external parties, including a dedicated hotline and an email address, to receive reports of alleged corruption on a no-repercussion basis, with the option of anonymity.

In order to compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, our Group has adopted the following key measures:

- We shall establish system and manuals in relation to, among others, distribution of annual and interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.

- On 21 June 2016, our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the ongoing obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

- We will engage external internal control adviser to have an annual review on the adequacy and effectiveness of our internal control system, including areas of financial, operational, compliance and risk management.

- We will engage RHB Capital as our compliance adviser for a term as required under the Listing Rules to advise our Board on compliance matters in relation to the Listing Rules.

- We have established an audit committee which comprises all independent non-executive Directors. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed "Directors and senior management" in this document.

- When considered necessary and appropriate, we will seek professional advice and assistance from external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

On 7 July 2017, CT Partners performed follow up review on our internal control system and CT Partners did not note any findings of material weakness or insufficiency in our Group's internal control system.

Our Directors confirm that the internal control measures implemented by our Group are adequate and effective.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on [●] 2017 pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities which may arise as a result of any non-compliance of our Group with the applicable laws, rules or regulations on or before the date on which the [REDACTED] becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this document.

RISK MANAGEMENT

Our management has designed and implemented risk management policies to address various potential risks identified in relation to our operations, including operational risks, financial risks and legal risks. Our risk management policy sets out procedure to identify, analyse, mitigate and monitor various risks. We are dedicated to monitoring the effectiveness of such policies. Our Board is responsible for overseeing our overall risk management and assessing and updating our risk management policy on a quarterly basis. Our risk management policy also sets out the reporting hierarchy of risks identified in our operations.

Project risk management

Projects and customers

We recognise that our Government tendering is critical to our financial performance and business sustainability. In this regard, we maintain good working relationship with Government departments and statutory bodies, main contractors and developers in Hong Kong. We will also ensure that sufficient resources and capacities are made available whenever opportunities arise so as to constantly secure new tender contracts in particular to retain our position as one of the top five slope works contractors (by revenue) in Hong Kong. Furthermore, with the net proceeds from the [REDACTED], our Group will increase our financial and operational capacities in order to take on more projects.

We have also established procedures for assessing and monitoring project risk. In our preparation of quotations and tendering of projects, our construction department will consider and evaluate our customers' financial status, payment records and the adequacy of our internal resources and capacity for the duration of the said project before a decision is made. Final approval from executive Directors is needed before any submission of quotation. We are also mindful of not being over-reliant on any specific customer.

At any point in time, we undertake a number of projects at varying stages of completion with different progress claims made. As such, our Directors are of the view that as long as our projects are contracted on a budgeted positive gross profit margin, our cash outflow will unlikely to exceed our cash inflow. Furthermore, the credit terms of 21 to 30 days granted to our customers will limit our financial risks and our financial department also monitors the payment pattern of our customers regularly and closely. Our executive Directors will review the situation and evaluate project opportunities with new/other customers if there are signs of slowdown in securing projects and/or changes in payment pattern from our existing customers.

Suppliers and subcontractors

We have adopted a policy of maintaining good working relationship with a group of reliable suppliers and subcontractors with on-time payments. Having a good working relationship with our suppliers and subcontractors, maintaining at least more than one supplier or subcontractor in a major category of supplies or services and constantly sourcing for reliable suppliers and subcontractors will reduce risk in this aspect of contract risk. We also maintain an approved vendor list and annually evaluate our suppliers and subcontractors.

Loss of key personnel

Our executive Directors will ensure that suitable and sufficient numbers of staff are properly appointed and assigned to manage each project. This will ensure that sufficient experience and technical knowledge are available within the project team and any loss of any team member will have limited impact on the continuity of project implementation.

Regulatory risk management

Our Group keeps abreast of any changes in government policies, regulations, licensing requirement and permits and safety requirements and we are aware that any non-compliance of the above may impact on our operation and business. We will ensure that all changes in government policies, regulations, licensing requirement and permits and safety requirements are closely monitored and communicated to our project managers, assistant managers, site agents, safety manager, environmental manager and our executive Directors for proper implementation and compliance.

Our Directors confirm that as at the Latest Practicable Date, they are not aware of any impending changes in the relevant laws, rules and regulations in Hong Kong that would affect our Group.

Ongoing measures to implement the risk management policies

In order to continuously improve our Group's risk management system in the future, our Group has established an ongoing process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

(i) segregating duties and functions of the respective operational departments of our Group;

(ii) monitoring the budget and financial performance;

(iii) reviewing systems and procedures to identify, measure, manage and control risks including reputation, legal, credit, market and operational risks;

(iv) handling price-sensitive information by setting out the procedures and policies; and

(v) updating the staff handbook, internal control manual and compliance manual when there are changes to business environment or regulatory guidelines.

CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue (assuming the [REDACTED] is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), Flourish Team and Double Wink effectively hold as to approximately [REDACTED]% and [REDACTED]% of the total issued share capital of our Company respectively. As at the Latest Practicable Date, Flourish Team was owned as to 48.98% by Mr. Yau, 48.98% by Mr. Cheung and 2.04% by Mr. Kung and Double Wink is wholly-owned by Ms. Tang. In short, Flourish Team and Double Wink are expected to control [REDACTED]% of the total issued share capital of our Company upon the Listing. Flourish Team and Double Wink are investment holding companies and have not commenced any substantive business activities as at the Latest Practicable Date.

Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang have been acting in concert with each other in respect of all operational and financial matters and major decisions of the operating subsidiaries of our Group and have confirmed this arrangement in the Concert Party Deed (for details, please refer to the paragraph headed "Concert Party Deed" in this section below).

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favour of our Group to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

CONCERT PARTY DEED

Over the course of our business history, Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang were either legal owner of the shares in each of our Operating Subsidiaries (as defined below) comprising our Group, or shared the operating results in these Operating Subsidiaries as business beneficiaries. Each of Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang has, in exercising and implementing the management and operation of these Operating Subsidiaries, been acting in concert with each other. As we were a group of private entities in the past, these arrangements were not formalised in writing and each of Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang was content with these arrangements based on their close and long-term business and personal relationship, as well as the trust and confidence they have in each other.

Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink have confirmed that the acting in concert arrangements with respect to each Operating Subsidiary had become effective upon any of them becoming the registered shareholder of each such Operating Subsidiary.

On [●], in preparation for the Listing, Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink executed the Concert Party Deed, whereby they confirmed the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner upon the Listing to consolidate their control of our Group until the Concert Party Deed is terminated by them in writing. The Concert Party Deed covers our Company and four operating subsidiaries (the "**Operating Subsidiaries**", and each, a "**Operating Subsidiary**"), namely Geotech Engineering, GeoResources, Richway and Yau Wing. The Concert Party Deed contains the following salient terms:

According to the Concert Party Deed, with respect to the businesses of the Operating Subsidiaries, each of Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink confirm to each other that, for the entire duration when all of them were/are contemporaneously either the legal owners of shares and/or the business beneficiaries in each of the Operating Subsidiaries and, after the incorporation of our Company:

(a) they had agreed to, and shall continue to, consult each other and reach unanimous consensus among themselves on such matters being the subject matters of any shareholders' resolution prior to putting forward such resolution to be passed at any shareholders' meeting of our Company and the Operating Subsidiaries (as the case may be) and have historically voted on such resolutions in the same way;

(b) where there was or is any suitable business opportunity or project for our Group, they have been engaging in, and shall continue to engage in, discussions as to whether they should participate and, if so, in whose name amongst themselves they should participate and the extent of participation in terms of investment and management; and

(c) they have centralised, and shall continue to centralise, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of our Group.

Hence, pursuant to the Concert Party Deed, Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink will together be entitled to exercise and control approximately [REDACTED]% of our entire issued share capital upon the completion of the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).

EXCLUDED BUSINESS

Background

During the Track Record Period, our Controlling Shareholders were interested in certain other businesses also involved in the civil engineering industry.

Our Controlling Shareholders have disposed of, or procured their associates to dispose of their respective interest in (and where applicable, resigned as directors from) companies in the civil engineering industry as set out below (the "**Disposals**"). These disposals were all completed on 29 December 2015 and, immediately after such disposals, such companies were wholly-owned and managed by independent third parties. These investments by our Controlling Shareholders and/or their associates in these companies can be categorised as follows: (i) passive investments in two major suppliers; (ii) investments with independent third parties; and (iii) wholly-owned investments (collectively, the "**Disposed Companies**"). The Disposed Companies were all incorporated and operated in Hong Kong. Our Group is focused on slope works, particularly serving as a main contractor for projects as detailed in the section headed "Business" in this document. Our Controlling Shareholders confirm that none of these companies were involved as a main contractor for slope work projects and substantially all of them were involved in other types of works in the civil engineering industry (such as foundation works, landscaping works), as materials suppliers or were inactive prior to the Disposal. Details of these companies are set out below.

Passive investments in two major suppliers

Prior to the Disposal, Ms. Yam Yau Tim (spouse of Mr. Yau) and Mr. Ko Yan Chi (nephew of Mr. Cheung) were interested in U-Win C&E and Mr. Yau was interested in Shun Hip. U-Win C&E and Shun Hip are subcontractors and two of our major suppliers during the Track Record Period. Details of these companies are as follows:

Name of company	**Principal business activities**	**Financial information prior to Disposal** *(Note)*		
		2013	**2014**	**2015**
		HK$ million	*HK$ million*	*HK$ million*
U-Win C&E	Provision of civil engineering construction services	Revenue: 44.8 Net profit: 2.0	Revenue: 58.1 Net profit: 2.7	Revenue: 74.4 Net profit: 1.3
Shun Hip	Landslip prevention and mitigation subcontractor	Revenue: 21.2 Net profit: 0.4	Revenue: 20.7 Net loss: 0.5	Revenue: 33.1 Net profit: 1.1

Note: The financial information of these companies were not audited by the Reporting Accountants.

Prior to the Disposal by Ms. Yam Yau Tim, Mr. Ko Yan Chi and Mr. Yau,

- U-Win C&E was owned as to 25% by Ms. Yam Yau Tim and 25% by Mr. Ko Yan Chi. The remaining interest of 50% was owned by an independent third party, who was therefore also the largest shareholder of U-Win C&E; and

- Shun Hip was owned as to 60% by Mr. Yau and the remaining interest was owned by two independent third parties.

U-Win C&E was incorporated in 2003 and in the early beginning of this company, it was owned as 80% by Ms. Yam Yau Tim and 20% by Mr. Yau. Ms. Yam Yau Tim disposed of 50% interest in U-Win C&E to an independent third party who had experience in the industry in 2011, whereby this independent third party became the largest shareholder. In the same year, Ms. Yam Yau Tim and Mr. Yau transferred 5% and 20% in U-Win C&E respectively to Mr. Ko Yan Chi. Mr. Yau had not been a shareholder in U-Win C&E since 2011 but Ms. Yam Yau Tim and Mr. Ko Yan Chi were shareholders in U-Win C&E prior to the Disposal. Prior to the Disposal, Ms. Yam Yau Tim and Mr. Ko Yan Chi were passive investors in U-Win C&E and not actively involved in its daily operations and management. All four directors prior to the Disposal were independent third parties.

Prior to the Disposal, Mr. Yau was a passive investor in Shun Hip and not actively involved in its daily operations. Out of the three directors of Shun Hip prior to the Disposal, one was Mr. Yau and the other two directors were independent third parties. After the Disposal, Mr. Yau resigned as a director of this company.

Investments with independent third parties

Prior to the Disposal, our Controlling Shareholders and/or their associates had investments with other independent third parties in companies with similar business as our Group. Details of these companies are as follows:

Name of company	**Principal business activities**	**Financial information prior to Disposal** *(Note 1)*		
		2013	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*
Investments in companies where 50% or more of interest were held by independent third parties				
Devoni GI Limited	Provision of land improvement and ground investigation services	Revenue: 5,535 Net profit: 367	Revenue: 10,850 Net profit: 5,073	Revenue: 11,200 Net profit: 4,824
Kwan Fai Construction Limited	Provision of engineering services	*(Note 2)*	Revenue: 5,107 Net loss: 1,042 *(Note 2)*	Revenue: 13,195 Net loss: 2,473
U-Win Foundation Co., Limited	Provision of foundation works	*(Note 3)*	Revenue: 22,830 Net profit: 2,600 *(Note 3)*	Revenue: 22,003 Net profit: 2,623
Kwan Fai Company Limited	Inactive *(Note 4)*	Revenue: 24,536 Net profit: 1,220	Revenue: 9,718 Net loss: 520 *(Note 4)*	*(Note 4)*
Geotech Union Engineering Limited	Constructing and engineering	*(Note 5)*	Revenue: 10,944 Net profit: 1,195 *(Note 5)*	Revenue: Nil Net profit: Nil

Name of company	Principal business activities	Financial information prior to Disposal *(Note 1)*		
		2013	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*
Other companies				
Greenland Resources Limited	Sale of landscaping materials and provision of landscape engineering services	Revenue: 30,598 Net profit: 758	Revenue: 35,648 Net profit: 1,163	Revenue: 35,446 Net profit: 1,488
Allbest Business Limited	Provision of ground investigation services	Revenue: Nil Net profit: Nil	Revenue: Nil Net loss: 12	Revenue: 2,772 Net loss: 653
Wah On Garden Landscaping Limited	Provision of soft landscaping works	Revenue: 28,178 Net profit: 377	Revenue: 9,260 Net profit: 364	Revenue: 9,697 Net profit: 536
Kinli Civil Engineering Limited	Constructing and engineering	*(Note 6)*	*(Note 6)*	Revenue: 2,387 Net profit: 141 *(Note 6)*

Notes:

(1) The following information is based on the audited accounts (or if unavailable, the unaudited management accounts) of such companies for the most recent full financial years. The financial information of these companies were not audited by the Reporting Accountants.

(2) Kwan Fai Construction Limited was incorporated in 2013. The financial information provided relates to the period from incorporation to the financial year end in 2014.

(3) U-Win Foundation Co., Limited was incorporated in 2012. The financial information provided relates to the period from incorporation to the financial year end in 2014.

(4) Kwan Fai Company Limited was principally engaged in providing engineering services but ceased business since 2014 as it was not particularly successful and was loss-making in recent years as seen above. The financial information relates the financial year ending upon the business cessation date.

(5) Geotech Union Engineering Limited was incorporated in 2012. The financial information provided relates to the period from incorporation to the financial year end in 2014.

(6) Kinli Civil Engineering Limited was incorporated in 2013. The financial information provided relates to the period from incorporation to the financial year end in 2015.

Prior to the Disposal in Devoni GI Limited, Kwan Fai Construction Limited, U-Win Foundation Co., Limited, Kwan Fai Company Limited, a majority of the interests in such companies were owned by independent third parties and a majority or all of the directors of such companies were independent third parties. In the case of Geotech Union Engineering Limited, 50% of the interests were owned by an independent third party and this individual was also its sole director. Our Controlling Shareholders and/or their associates were interested as passive investors in such companies. Although Kwan Fai Construction Limited, Kwan Fai Company Limited, Geotech Union Engineering Limited were involved as subcontractors for slope works, Devoni GI Limited and U-Win Foundation Co., Limited were principally focused on non-slope works in the civil engineering industry such as land improvement and ground investigation services and foundation works.

Only in the case of Greenland Resources Limited, Allbest Limited, Wah On Garden Landscaping Limited, Kinli Civil Engineering Limited and Greenfield Garden Limited did our Controlling Shareholders and/or their associates had a majority interest and together had control of their board. However, as seen from the principal business activities above, these companies were principally focused on non-slope works in the civil engineering industry such as landscaping works, ground investigation services and in the case of Kinli Civil Engineering Limited, it had limited operations and was focused on drainage works.

The Disposed Companies also included Greenfield Garden Limited, a company incorporated in 2014 and owned by Mr. Cheung, Mr. Yau and an independent third party. Mr. Cheung and Mr. Yau confirm that the company was originally incorporated for purposes of providing landscaping works but had not operated any business since its incorporation up to the Disposal due to lack of opportunities. Accordingly, it did not generate any revenue prior to the Disposal.

After the Disposal, our Controlling Shareholders and/or their associates no longer had interest in the above companies and where applicable, have ceased to be their directors.

Wholly-owned investments

There were only two companies out of the Disposed Companies which our Controlling Shareholders and/or associates wholly-owned together prior to the Disposal. Details of these companies are as follows:

Name of company	**Principal business activities**	**Financial information prior to Disposal** *(Note1)*		
		2013	**2014**	**2015**
		HK$ million	*HK$ million*	*HK$ million*
Geoscape & Environmental Limited	General trading and provision of engineering services	Revenue: 4.3 Minimal net profit	Revenue: 6.0 Net profit: 0.3	Revenue: 3.6 Net loss: 0.2
Independent Testing Limited	Trading of safety products and provision of consultancy service	*(Note 2)*	Revenue: 0.2 Minimal net profit *(Note 2)*	Revenue: 0.2 Minimal net profit

Notes:

(1) The following information is based on the audited accounts (or if unavailable, the unaudited management accounts) of such companies for the most recent full financial year prior to the Disposal on 29 December 2015. Accordingly, the financial information up to 2014 is provided where the financial year end for a company is 31 December. The financial information of these companies were not audited by the Reporting Accountants.

(2) Independent Testing Limited was incorporated in 2014. The financial information provided relates to the period from incorporation to the financial year end in 2014.

These two companies were principally focused on non-slope works in the civil engineering industry specifically in trading. After the Disposal, our Controlling Shareholders and/or their associates no longer had interest in the above companies and where applicable, have ceased to be their directors.

Reasons for transactions with certain Disposed Companies

We maintained an internal list of approved suppliers for subcontracting services and materials supply. In maintaining such lists and choosing a subcontractor or materials supplier (as the case may be) for our projects, we carefully evaluate their performance and make a selection based on a number of factors. In the past, we have considered certain Disposed Companies along with our independent third party suppliers for engagement in our projects. Given that U-Win C&E and Shun Hip met our criteria and were on the list of approved subcontractors, we engaged them as subcontractors for some of our projects. These two companies were two of our major suppliers during the Track Record Period (for further details of our process and factors to consider in choosing subcontractors, suppliers and transactions with U-Win C&E and Shun Hip during the Track Record Period, please refer to the section headed "Business – Suppliers" in this document). As certain other Disposed Companies met our criteria, we similarly considered engaging them as subcontractors or materials suppliers for our projects (for further details of our related party transactions prior to the Disposal, please refer to note 27 to the Accountants' Report set out in Appendix I to this document). After the Disposal, certain Disposed Companies may continue to have business relationships with us either in our ongoing projects or may be engaged in our future projects if they continue to meet our criteria and offer terms as competitive as those provided by independent third parties.

Having considered that we had other independent third party suppliers providing similar services or materials at comparable terms as the Disposed Companies, our Directors did not consider the Disposed Companies integral to our Group's operations.

It is the view of our Directors that each of the related party transactions with such companies were conducted in our ordinary and usual course of business and on normal commercial terms between the related parties and us or on terms no less favourable than terms available from independent third parties, and were fair and reasonable and in the interest of our Group and our Shareholders as a whole and would not distort our results during the Track Record Period.

Reasons for exclusion and Disposal

Our Controlling Shareholders considered the following factors in deciding to exclude the Disposed Companies from our Group: (i) as explained above, a majority of the Disposed Companies were investments by our Controlling Shareholders and/or their associates with other independent third party shareholders and in certain cases including our passive investment in our two major suppliers, our Controlling Shareholders and/or their associates were not involved in daily operations nor did they have control of the board; (ii) as explained above, none of these companies were considered integral to our Group's operations given suitable independent third parties suppliers; and (iii) considering the principal business activities of our Group covered our core services, inclusion of such companies was considered unnecessary and exclusion of such companies simplified our Group's structure.

After deciding to exclude these companies from our Group, our Controlling Shareholders, which include our four executive Directors, disposed of, or procured their associates to dispose of their respective interest in (and where applicable, resigned as directors from) the Disposed Companies. The reasons for such Disposal was to avoid actual or potential conflict involving our Group's business and to allow our Directors to better focus on the business and operation of to our Group.

Remaining investments

Other than the above companies, as at the Latest Practicable Date, our Controlling Shareholders and their respective close associates are also interested in and are directors of certain companies or entities which engaged in businesses different from those of our Group such as the investment holding and property holding companies which we leased certain premises and received property management services from as referred to in the paragraph headed "Independence of our Group" in this section. Transactions with these companies are not expected to continue after Listing and have ceased prior to the Latest Practicable Date.

RULE 8.10 OF THE LISTING RULES

Except as noted above, none of our Controlling Shareholders nor any of our Directors and their respective close associates was, as at the Latest Practicable Date, interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

For the purpose of the Listing, each of our Controlling Shareholders, Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink (each a "**Covenantor**", and collectively, the "**Covenantors**") has given certain non-competition undertakings in favour of our Company (for itself and as trustee for and on behalf of other members of our Group) under the Deed of Non-competition, pursuant to which each of the Covenantors, irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for the members of our Group) on the following terms with effect from the [REDACTED] and for as long as our Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their close associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders:

(i) *undertaking not to engage in competing business*: each of the Covenantors shall not, and shall procure each of his/her/its close associates (other than our Group) not to, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly (other than through our Group), whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest (save for the holding in aggregate by the Covenantors and their close

associates of not more than 5% shareholding interest in any company listed on the Stock Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (including slope works and ground investigation field works in Hong Kong and businesses ancillary to any of the foregoing) (the "**Restricted Business**");

(ii) *undertaking not to solicit staff, etc.*: each of the Covenantors:

a. will not, and will procure his/her/its close associates (other than our Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;

b. will not offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person;

c. will not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/her/its knowledge in his/her/its capacity as the Controlling Shareholder for any purposes other than for the exercise of shareholders' rights; and

d. will address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time;

(iii) *undertakings in respect of new business opportunity*: if each of the Covenantors and/or any of his/her/its close associates (other than our Group) is offered or becomes aware of any project or new business opportunity (the "**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/she/it shall:

a. promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing (the "**Offer Notice**") of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and

b. use his/her/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to he/she/it and/or his/her/its close associates (other than our Group).

If our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice to the Covenantors within 30 business days from our Group's receipt of the Offer Notice, the Covenantors will be entitled to pursue the New Business Opportunity. The Covenantors agree to extend the 30 business days to a maximum of 60 business days if our Group requires further time to assess the New Business Opportunity by giving a written notice to the Covenantors within the original period of 30 business days.

(iv) *general undertakings*: each of the Covenantors shall:

a. provide our Company and our Directors (from time to time) with all information necessary and requested by the independent non-executive Directors, including but not limited to monthly turnover records and any other relevant documents considered necessary by the independent non-executive Directors for their annual review with regard to the compliance and/or enforcement of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;

b. provide our Group, after the end of each financial year of our Company, with a declaration made by each of the Covenantors which shall state whether or not he/she/it has during that financial year complied with all the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosure in the corporate governance report of our Group;

c. allow our Directors, their respective representatives and the auditors to have sufficient access to the records of the Covenantors and he/her/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition; and

d. on demand do all such acts and things and execute all such deeds and documents as may be necessary to carry into effect or give legal effect to the provisions of the Deed of Non-competition and the transactions contemplated.

Each of the Covenantors has undertaken to our Company that he/she/it will abstain from voting on the board level or the shareholder level of our Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

INDEPENDENCE OF OUR GROUP

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Financial independence

Our Directors are of the view that our Group does not unduly rely on the advances from our Controlling Shareholders and related parties and our Group has sufficient capital to operate its business independently, and has adequate internal resources for its business operations. During the Track Record Period, our Group's bank facilities for overdraft and loans were secured by securities and guarantees provided by our Controlling Shareholders and/or their associates (for further details, please refer to the section headed "Financial information – Indebtedness – Bank borrowings" in this document). However, such securities and guarantees in respect of our bank facilities for overdraft and loans will be released upon Listing. During the Track Record Period, we had certain amounts due to and from our Directors and related companies as detailed in the section headed "Financial information – Analysis of various items from the combined statements of financial position – Amounts due from/to Director(s) and related companies" in this document. As at 30 April 2017, the amounts due from our Directors was approximately HK$10.0 million, the amounts due from the related companies was approximately HK$0.4 million and the amounts due to our Directors was approximately HK$2,000. Any outstanding amount due from and/or to our Directors and/or their related companies will be fully settled prior to the Listing. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Furthermore, our Group has its own financial department and has established its own financial and accounting system independent of our Controlling Shareholders. Our Group has its own bank account, makes its tax registrations and has employed a sufficient number of financial accounting personnel. Accordingly, our Directors consider that our Group is capable of operating independently from a financial perspective.

Operational independence

During the Track Record Period, we purchased certain materials and received subcontracting services from companies which our Controlling Shareholders or their associates were interested as detailed in note 27 to the Accountants' Report set out in Appendix I to this document. Given our Directors' view that independent third party providers of similar material and services at similar terms are available as detailed in the section headed "Business – Suppliers – Concentration of suppliers" in this document, we are not overly reliant on the companies which our Controlling Shareholders or their associates are interested in the supply of materials or subcontracting services. Our Controlling

Shareholders and/or their associates have also disposed of their respective interests in certain companies with businesses similar to our Group's business on 29 December 2015 to independent third parties as set out in the paragraph headed "Excluded business" in this section.

We also leased certain premises and received property management services during the Track Record Period from Geotech Engineering Development Limited (now known as TK & Y Development Limited), Geotech Investment Company Limited (now known as TK & Y Investment Company Limited) and Grand Famous Investment Limited which Mr. Yau and/or Mr. Cheung are interested. We have since ceased such transactions prior to Listing. As at the Latest Practicable Date, all our premises our leased from independent third parties. For further details of our current leased properties, please refer to the section headed "Business – Properties" in this document. Accordingly, we are not reliant on our Controlling Shareholder for our leased premises as at the Latest Practicable Date.

Furthermore, having considered that (a) we have established our own operational structure comprising individual departments, each with specific areas of responsibilities; (b) we have established a set of internal control procedures to facilitate the effective operation of our business; (c) we have not shared our operational resources, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates; (d) as at the Latest Practicable Date, our Group had independent access to our suppliers and customers; and (e) all interest and title in the trademark application by Mr. Yau was assigned to a member of our Group as detailed in the paragraph headed "B. Further information about the business – 2. Intellectual property rights of our Group" in Appendix IV to this document and all the trademarks relevant to our Group's business are registered in the name of a member of our Group, our Directors consider that our Group's business operation does not rely on our Controlling Shareholders and our Group operates independently.

Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of seven members, comprising of four executive Directors and three independent non-executive Directors. All of our executive Directors are Controlling Shareholders. Notwithstanding this, the Directors consider that our Board and team of management will function independently because:

(a) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;

(c) the independent non-executive Directors will bring independent judgement to the decision making process of our Board; and

(d) the senior management are independent and possesses in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

(a) compliance with the Listing Rules, in particular strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable;

(b) appointment of RHB Capital as our compliance adviser for a term as required under the Listing Rules to advise us on the compliance matters in respect of the Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors and senior management – Compliance adviser" in this document for further details in relation to the appointment of compliance adviser; and

(c) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. We believe our independent non-executive Directors possess the qualification, integrity and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in the section headed "Directors and senior management" in this document.

GENERAL

The Board currently consists of seven Directors comprising four executive Directors and three independent non-executive Directors. Our Board is responsible for and has the general powers in managing and conducting our Company's business. The following table sets out the information regarding the members of the Board and senior management:

Name	Age	Date of joining our Group	Date of appointment as Director/ senior management	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. YAU Kin Wing Sino (邱建榮先生)	59	August 1994	6 June 2016	Executive Director and Chairman of the Board	Overall business development and financial and strategic planning of our Group	Nil
Mr. CHEUNG Ting Kam (張定錦先生)	61	May 1997	6 June 2016	Executive Director and Vice Chairman of the Board	Overall business development and financial and strategic planning of our Group	Nil
Mr. KUNG Ho Man (龔浩文先生)	42	July 2001	6 June 2016	Executive Director and Chief Executive Officer	Overall construction projects management and daily operation of our Group	Nil
Ms. TANG Ka Wa Danise (鄧嘉華女士)	42	May 2005	6 June 2016	Executive Director	Overall construction projects management	Nil
Mr. FUNG Chi Kin (馮志堅先生)	68	[●]	[●]	Independent non-executive Director	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil
Mr. CHEUNG Wai Lun Jacky (張偉倫先生)	43	[●]	[●]	Independent non-executive Director	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil

Name	Age	Date of joining our Group	Date of appointment as Director/ senior management	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. CHOW Chun To (鄒振濤先生)	34	[●]	[●]	Independent non-executive Director	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil
IP Ying Hang (葉映恒)	32	December 2015	6 June 2016	Financial controller and company secretary	Financial reporting, financial planning, treasury, financial control and overall company secretarial matters	Nil

DIRECTORS

Executive Directors

Mr. YAU Kin Wing Sino (邱建榮先生), aged 59, is the chairman of the Board, the founder of our Group and a Controlling Shareholder of our Company, and was appointed as an executive Director on 6 June 2016. Mr. Yau is primarily responsible for overall business development and financial and strategic planning of our Group. He is also a director of Praise Marble, Geotech Engineering, GeoResources, Richway and Yau Wing.

Mr. Yau has over 25 years of experience in the civil engineering industry in Hong Kong. He set up U-Win in January 1988 as sole proprietor and later incorporated Geotech Engineering and has been the director of Geotech Engineering since August 1994.

Mr. Yau was a director of the following companies, which were dissolved (but not due to member's voluntary winding-up) with details as follows:

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding up	Details
Independent Testing Company Limited	Field test	12 October 2007	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance*(Note 1)*

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding up	Details
Sun Grace Engineering Limited	Construction	1 March 2013	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance*(Note 1)*
Super View Construction Company Limited	Construction	11 July 2003	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance*(Note 1)*
T & T Construction Engineering Limited	Construction engineering	15 April 2016	A Hong Kong incorporated company dissolved by de-registration under section 751 of the Companies Ordinance*(Note 2)*
Co-Source International Limited	Investment	15 March 2002	A Hong Kong incorporated company dissolved by striking off under section 291(6) of the Predecessor Companies Ordinance*(Note 3)*

Notes:

(1) Under section 291AA of the Predecessor Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application for de-registration; and (c) such company has no outstanding liabilities.

(2) Under section 751 of the Companies Ordinance, an application for de-registration can only be made if in addition to the conditions for section 291AA of the Predecessor Companies Ordinance mentioned above, (a) the company is not a party to any legal proceedings; (b) the company's assets do not consist of any immovable property situate in Hong Kong; (c) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong; and (d) the company is not a company specified under section 749 of the Companies Ordinance.

(3) Under section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period.

Mr. Yau was also a director of NFY China Limited, a BVI company involved in environmental works before it ceased business in Hong Kong on 30 September 2003. Mr. Yau confirms that all of the aforesaid dissolved companies were solvent before their dissolution.

Mr. Yau does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. CHEUNG Ting Kam（張定錦先生）, aged 61, is the vice chairman of the Board and a Controlling Shareholder of our Company, and was appointed as our executive Director on 6 June 2016. He is primarily responsible for overall business development and financial and strategic planning of our Group. Mr. Cheung is also a director of Praise Marble, Geotech Engineering and GeoResources.

Mr. Cheung obtained a Bachelor of Science in Civil Engineering from University of Saskatchewan in Canada in May 1979 and a Master of Science in Engineering from The University of Hong Kong in December 1989. Mr. Cheung has been a member of the Institution of Civil Engineers of the United Kingdom in December 1982 and also a member of the Hong Kong Institution of Engineers since September 1985. Mr. Cheung has been a Registered Professional Engineer under the Hong Kong Engineers Registration Board since October 1996.

Mr. Cheung has over 37 years of experience in construction industry. He joined our Group and has been a director of Geotech Engineering since May 1997. Before joining our Group, Mr. Cheung worked at Scott Wilson Kirkpatrick & Company Limited as an Assistant Engineer from August 1979 to August 1983. Between October 1983 and September 1991, Mr. Cheung was a Geotechnical Engineer in the Hong Kong Government and served at Building Development Department, Engineering Development Department and Civil Engineering Services Department. From July 1991 to December 1993, he worked at World International Development Limited as Resident Project Manager. From November 1993 to April 1997, Mr. Cheung worked at Mott Connell Limited as Resident Engineer.

Mr. Cheung was a director of the following companies, which were dissolved (but not due to member's voluntary winding-up) with details as follows:

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding up	Details
Geotech-Mannars & Associates Limited	Surveying	24 October 2003	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance*(Note 1)*
Independent Testing Company Limited	Field test	12 October 2007	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance*(Note 1)*
Mass King Limited	Property holding	2 February 2001	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance*(Note 1)*

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding up	Details
International Prospect (Holdings) Company Limited	Cultural exchange of international economic technology, investment, financing, development, construction and schooling	14 December 2007	A Hong Kong incorporated company dissolved by striking off under section 291(6) of the Predecessor Companies Ordinance(Note 2)
MGE JV	None	15 September 2016	A Hong Kong incorporated company dissolved by de-registration under section 751 of the Companies Ordinance(Note 3)

Notes:

(1) Under section 291AA of the Predecessor Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application for de-registration; and (c) such company has no outstanding liabilities.

(2) Under section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period.

(3) Under section 751 of the Companies Ordinance, an application for de-registration can only be made if in addition to the conditions for section 291AA of the Predecessor Companies Ordinance mentioned above, (a) the company is not a party to any legal proceedings; (b) the company's assets do not consist of any immovable property situate in Hong Kong; (c) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong; and (d) the company is not a company specified under section 749 of the Companies Ordinance.

Mr. Cheung was also a director of NFY China Limited, a BVI company involved in environmental works before it ceased business in Hong Kong on 30 September 2003. Mr. Cheung confirms that all of the aforesaid dissolved companies were solvent before their dissolution.

Mr. Cheung does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. KUNG Ho Man (龔浩文先生), aged 42, was appointed as our executive Director on 6 June 2016 and is also a Controlling Shareholder of our Company. He is primarily responsible for overall construction projects management and daily operation of our Group. Mr. Kung is also a director of Praise Marble, GeoResources and Geotech Engineering.

Mr. Kung obtained a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Civil Engineering by part-time studies from the Hong Kong University of Science and Technology in November 1996 and in November 1999 respectively. Mr. Kung was awarded the recognition of Executive Diploma in Management from the Hong Kong University of Science and Technology in February 2006 by part-time studies. He then completed the Environmental Management Course for Construction Managers from Construction Industry Training Authority in September 2007 by part-time studies. Mr. Kung obtained a certificate on Occupational Safety & Health Management issued by the Occupational Safety & Health Council in January 2005. He obtained certificates in relation to completion of Highways Department Site Audit Inspection Standards (Safety & Roadwork Obligations) course and the Environmental Management Course for Construction Managers both issued by the Construction Industry Training Authority in July 2007 and September 2007 respectively. Mr. Kung also obtained a certificate on Basic Accident Prevention issued by the Occupational Safety & Health Council in October 2016. Mr. Kung has been a member of the Hong Kong Institution of Engineers since March 2003. He has been registered as a Registered Professional Engineer under Engineers Registration Board since July 2004.

Mr. Kung has over 16 years of experience in construction industry. Mr. Kung joined our Group in July 2001 as Site Agent and has been appointed as the director of Geotech Engineering since October 2011. Prior to joining our Group, Mr. Kung gained his experience in engineering from his services in the Hong Kong Government.

Mr. Kung does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Ms. TANG Ka Wa Danise（鄧嘉華女士）, aged 42, was appointed as our executive Director on 6 June 2016 and also a Controlling Shareholder of our Company. She is primarily responsible for construction projects management in our Group. Ms. Tang is also a director of Praise Marble, GeoResources and Geotech Engineering.

Ms. Tang obtained a Bachelor of Engineering in Civil and Structural Engineering in November 1996 and a Master of Philosophy in Civil Engineering in November 2001, from the Hong Kong University of Science and Technology. Ms. Tang obtained certificate on Occupational Safety Management issued by the Occupational Safety & Health Council in January 2007 and a certificate in relation to completion of the Environmental Management Course for Construction Managers issued by the Construction Industry Training Authority in September 2007. Ms. Tang has been a member of the Institution of Civil Engineers of the United Kingdom and has been registered as a Chartered Engineer with the Engineering Council in the United Kingdom since December 2005. Ms. Tang is also currently a member of the Hong Kong Institution of Engineers and registered as a Registered Professional Engineer under Hong Kong Engineers Registration Board.

Ms. Tang has over 11 years of experience in construction industry. She joined our Group in May 2005 as project manager and has been appointed as a director of Geotech Engineering since October 2011. Before joining our Group, Ms. Tang worked at Ove Arup & Partners Hong Kong Limited as a Graduate Engineer from December 1999 to September 2000.

Ms. Tang does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. FUNG Chi Kin（馮志堅先生）, aged 68, was appointed as an independent non-executive Director on [●].

Mr. Fung has over 41 years of experience in banking and finance. He was the director and the Deputy General Manager of Po Sang Bank Limited (merged into Bank of China (Hong Kong) Limited in 2001) and the Managing Director of BOCI Securities Limited. From October 1998 to June 2000, Mr. Fung served as a Council Member of the First Legislative Council of the HKSAR. Mr. Fung was an executive director of Powerwell Pacific Holdings Limited (stock code: 8265) from September 2014 to May 2017, the shares of which are listed on the GEM Board of the Stock Exchange and he has also acted as an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited (stock code: 682) since September 2003, the shares of which are listed on the Main Board. From October 2006 to May 2012, he held the position of independent non-executive director of New Times Energy Corporation Limited (stock code: 166), the shares of which are listed on the Main Board.

Mr. CHEUNG Wai Lun Jacky（張偉倫先生）, aged 43, was appointed as our independent non-executive Director on [●]. Mr. Cheung graduated in November 1995 with a Bachelor of Laws and then obtained The Postgraduate Certificate in Laws in June 1996 from The University of Hong Kong. Mr. Cheung has been admitted as a solicitor in Hong Kong since November 1998.

Mr. Cheung has over 16 years of experience in legal industry in Hong Kong. From September 2001 to December 2007 and from November 2008 to September 2012, he worked at Mayer Brown JSM at which his last position was Senior Associate. In June 2013, Mr. Cheung joined D. S. Cheung & Co. as solicitor and was subsequently promoted as Partner. Since April 2015, Mr. Cheung has been worked as Consultant with Loeb & Loeb LPP (formerly Pang & Co. in association with Loeb & Loeb LPP). Mr. Cheung has also acted as an independent non-executive director of CHerish Holdings Limited (stock code: 2113) since September 2016, the shares of which are listed on the Main Board.

Mr. CHOW Chun To（鄒振濤先生）, aged 34, was appointed as our independent non-executive Director on [●]. Mr. Chow obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Chow has been a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants since July 2013.

Mr. Chow has over 11 years of accounting experience in Hong Kong. From June 2006 to June 2007, Mr. Chow worked as an accountant at PCP CPA Limited. From June 2007 to December 2007, Mr. Chow worked as accountant at HLB Hodgson Impey Cheng. From February 2008 to April 2011, Mr. Chow served at Deloitte Touche Tohmastu with his last position as senior associate. From May 2011 to May 2013, Mr. Chow worked as financial manager in Chiho-Tiande (HK) Limited, a wholly-owned subsidiary of Chiho-Tiande Group Limited (stock code: 976), the shares of which are listed on the Main Board. From May 2013 to September 2014, Mr. Chow was the financial controller of Tonking New Energy Group Holdings Limited (formerly known as "JC Group Holdings Limited") (stock code: 8326), the shares of which are listed on the GEM Board of the Stock Exchange. Mr. Chow was the financial controller and company secretary of In Construction Holdings Limited (stock code: 1500) from September 2014 to February 2017, the shares of which are listed on the Main Board. Mr. Chow has also acted as an independent non-executive director of Sing On Holdings Limited (stock code: 8352) since November 2016, the shares of which are listed on the GEM Board of the Stock Exchange.

Save as disclosed in this document, each of our Directors has confirmed that (i) there is no other matter concerning all the Directors' appointments that needs to be brought to the attention of the Shareholders and the Stock Exchange; (ii) he or she has no interests in the Shares within the meaning of Part XV of the SFO; (iii) he or she is independent from, and is not related to, any other Directors, members of the senior management or Controlling Shareholders; (iv) he or she does not hold any other position in our Company or any of its subsidiaries; (v) he or she does not have any interest in any business which competes or may compete, directly or indirectly, with us; and (vi) there is no other matter which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed above, none of our Directors has held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

SENIOR MANAGEMENT

Mr. IP Ying Hang（葉映恒先生）, aged 32, is our financial controller and company secretary of our Company. He joined our Group in December 2015. He graduated from Hong Kong Baptist University in November 2009 with a Bachelor of Commerce in Accountancy. Mr. Ip has been a member of Hong Kong Institute of Certified Public Accountants since March 2015.

Mr. Ip has over seven years of experience in auditing, accounting and financial management in Hong Kong. He joined our Group in December 2015 as financial controller and company secretary of Geotech Engineering. Before that, Mr. Ip worked at ShineWing (HK) CPA Limited from July 2011 at which his last position was Assistant Manager and then worked at KPMG from November 2014 at which his last position was Manager.

Mr. Ip does not have (i) any directorship in any listed companies in the last three years; (ii) any family relationship with our Directors; and (iii) any other appointments with our Controlling Shareholders.

COMPANY SECRETARY

Mr. IP Ying Hang（葉映恒先生）, is the company secretary of our Company. Details of his qualification and experience are set out in the paragraph headed "Senior management" in this section above.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of directors' fees, salaries, allowances, benefits in kind, contributions to retirement benefit schemes and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group.

Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and senior management and the performance of our Group.

After Listing, the Remuneration Committee will review and make recommendation as to the remuneration and compensation package of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND MANAGEMENT

The total compensation accrued to our executive Directors for FY2014, FY2015, FY2016 and 4M2017 was approximately HK$2.0 million, HK$3.8 million, HK$4.6 million and HK$1.4 million respectively. During the Track Record Period, our independent non-executive Directors had not yet been appointed and had not received any directors' remuneration in the capacity of Directors.

For FY2014, FY2015, FY2016 and 4M2017, our Group's five highest paid individuals included certain executive Directors. The aggregate compensation of the remaining highest paid individual amounted to approximately HK$1.7 million, HK$1.3 million, HK$0.7 million and HK$0.3 million for FY2014, FY2015, FY2016 and 4M2017 respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our executive Directors for the year ending 31 December 2017 to be HK$4.6 million.

During the Track Record Period, no emoluments were paid by our Group to our Directors as an inducement to join or upon joining our Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments during the Track Record Period.

BOARD COMMITTEES

Audit Committee

Our Company established an Audit Committee pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are, among other things, to make recommendation to the Board on the appointment, reappointment and removal of external auditor; review the financial information; and oversee the financial reporting system and internal control procedures of our Company. At present, the Audit Committee consists of three members, namely Mr. Chow Chun To, Mr. Fung Chi Kin and Mr. Cheung Wai Lun Jacky. Mr. Chow Chun To is the chairman of the Audit Committee.

Remuneration Committee

Our Company established a Remuneration Committee pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review and approve the management's remuneration proposals, and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Chow Chun To, Mr. Cheung and Mr. Cheung Wai Lun Jacky. Mr. Chow Chun To is the chairman of the Remuneration Committee.

Nomination Committee

Our Company established a Nomination Committee pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules have been adopted. The primary function of the nomination committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The Nomination Committee consists of three members, namely Mr. Yau, Mr. Fung Chi Kin and Mr. Cheung Wai Lun Jacky. Mr. Yau is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company will appoint RHB Capital as our compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and 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 our Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and

(d) where the Stock Exchange makes an inquiry of the listed issuer under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the [REDACTED] and end on the date on which our Company complies with the Listing Rules on the distribution of our annual report in respect of the financial results for the first full financial year commencing after the [REDACTED].

The compliance adviser of our Company shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines.

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name of Shareholder	Capacity/nature of interest	Number of Shares held as at the date of AP-Vetting	Approximate percentage of shareholdings as at the date of AP-Vetting	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the [REDACTED]	Approximate percentage of shareholdings immediately following completion of the Capitalisation Issue and the [REDACTED]
Flourish Team	Beneficial owner *(Notes 1 and 2)*	98	98%	[REDACTED]	[REDACTED]
Mr. Yau	Interests held jointly with other persons; interest in a controlled corporation *(Notes 1 and 2)*	–	–	[REDACTED]	[REDACTED]
Ms. Yam Yau Tim	Interest of spouse *(Note 3)*	–	–	[REDACTED]	[REDACTED]
Mr. Cheung	Interests held jointly with other persons; interest in a controlled corporation *(Notes 1 and 2)*	–	–	[REDACTED]	[REDACTED]
Ms. Tang Yim Ling	Interest of spouse *(Note 4)*	–	–	[REDACTED]	[REDACTED]
Mr. Kung	Interests held jointly with other persons; beneficial interest *(Notes 1 and 2)*	–	–	[REDACTED]	[REDACTED]
Ms. Wan On Man Amy	Interest of spouse *(Note 5)*	–	–	[REDACTED]	[REDACTED]
Double Wink	Beneficial owner *(Notes 1 and 6)*	2	2%	[REDACTED]	[REDACTED]
Ms. Tang	Interests held jointly with other persons; interest in a controlled corporation *(Notes 1 and 6)*	–	–	[REDACTED]	[REDACTED]
Mr. Lee Tsz Kit Gordon	Interest of spouse *(Note 7)*	–	–	[REDACTED]	[REDACTED]

Notes:

1. Immediately following completion of the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), Flourish Team will hold [REDACTED] Shares and Double Wink will hold [REDACTED] Shares, representing approximately [REDACTED]% and [REDACTED]% of our entire issued share capital respectively and [REDACTED]% of our entire issued share capital collectively. Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink will together control [REDACTED]% of the entire issued share capital of our Company.

2. The issued share capital of Flourish Team is legally and beneficially owned as to 48.98% by Mr. Yau, 48.98% by Mr. Cheung and 2.04% by Mr. Kung. Therefore, Mr. Yau and Mr. Cheung are deemed or taken to be interested in the Shares held by Flourish Team under the SFO. Shares in which each of Mr. Yau and Mr. Cheung is interested consist of (i) [REDACTED] Shares held by Flourish Team in which Mr. Yau and Mr. Cheung are deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which each of Mr. Yau and Mr. Cheung is deemed to be interested as a result of the Concert Party Deed. Shares in which Mr. Kung is interested consist of the [REDACTED] Shares in which Mr. Kung is deemed to be interested as a result of the Concert Party Deed.

3. Ms. Yam Yau Tim is the spouse of Mr. Yau. Accordingly, Ms. Yam Yau Tim is deemed or taken to be interested in the Shares Mr. Yau is interested in under the SFO.

4. Ms. Tang Yim Ling is the spouse of Mr. Cheung. Accordingly, Ms. Tang Yim Ling is deemed or taken to be interested in the Shares Mr. Cheung is interested in under the SFO.

5. Ms. Wan On Man Amy is the spouse of Mr. Kung. Accordingly, Ms. Wan On Man Amy is deemed or taken to be interested in the Shares Mr. Kung is interested in under the SFO.

6. The issued share capital of Double Wink is legally and beneficially wholly owned by Ms. Tang. Therefore, Ms. Tang is deemed or taken to be interested in the Shares held by Double Wink under the SFO. Shares in which Ms. Tang is interested consist of (i) [REDACTED] Shares held by Double Wink in which Ms. Tang is deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which Ms. Tang is deemed to be interested as a result of the Concert Party Deed.

7. Mr. Lee Tsz Kit Gordon is the spouse of Ms. Tang. Accordingly, Mr. Lee Tsz Kit Gordon is deemed or taken to be interested in the Shares Ms. Tang is interested in under the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account the Shares which may be issued upon to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme):

		HK$
Authorised share capital:		
4,000,000,000	Shares	40,000,000
Issued and to be issued fully paid or credited as fully paid upon completion of the [REDACTED]:		
10,000	Shares in issue as at the date of this document	100
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	**Shares in total**	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] and the Capitalisation Issue become unconditional and does not take into account any exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The [REDACTED] represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this document, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the [REDACTED] other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of all Shareholders passed on [●] 2017, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorised to allot and issue a total of [REDACTED] Shares credited as fully paid at par to the holder of Shares on the register of members or the principal share register of our Company at the close of business on [●] 2017 as nearly as possible in proportion to their then existing shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$[REDACTED] standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and conditions of the [REDACTED]" in this document, our Directors have been granted a general unconditional mandate to allot, issue and deal with 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 or options which might require such Share to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed 20% of the number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which have been or may be granted under the Share Option Scheme).

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate to issue Shares, please refer to the paragraph headed "A. Further information about our Company – 3. Written resolutions of all Shareholders passed on [●] 2017" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and conditions of the [REDACTED]" in this document, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following completion of the [REDACTED] and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme).

This general mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this document regarding the repurchase of Shares is set out in the paragraph headed "A. Further information about our Company – 6. Repurchase of Shares by our Company" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; and

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

SHARE OPTION SCHEME

Our Company have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to this document.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

You should read this section in conjunction with our Group's audited combined financial information, has been prepared in accordance with HKFRS including the notes thereto, as set out in the Accountants' Report included in Appendices I and II to this document. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, please refer to the section headed "Risk factors" in this document.

Please also refer to the paragraph headed "Business – Our projects" in this document for details of our projects mentioned in this section.

OVERVIEW

We are a leading slope works contractor in Hong Kong. According to the Ipsos Report, we ranked first among the slope works contractors in Hong Kong with a market share of approximately 21.9% in terms of the total revenue in the Hong Kong slope works industry in 2016. During the Track Record Period, we had undertaken a total of 191 slope works and ground investigation field works projects, of which 157 projects had been completed as at 30 April 2017. As at 30 April 2017, we had 34 projects in progress with a total outstanding contract sum of approximately HK$364.2 million and such projects are expected to be completed by 2020. Further details of our projects on hand are set out in the section headed "Business – Our projects – Projects on hand" in this document.

We principally undertake slope works as a main contractor. Our role as a main contractor includes overall project management and supervision of works conducted by our subcontractors to ensure that we conform to the requirements of our customers. Apart from slope works, we also undertake ground investigation field works as both main contractor and subcontractor for large-scale road works contracts and building development contracts.

Our revenue for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 was approximately HK$305.3 million, HK$391.4 million, HK$344.8 million, HK$118.2 million and HK$122.8 million respectively, of which approximately 94.4%, 96.2%, 95.3%, 98.5% and 75.2% was derived from undertaking slope works respectively.

SUMMARY OF RESULTS OF OPERATIONS

The combined statements of 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 document:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	305,262	391,427	344,766	118,205	122,846
Direct costs	(263,129)	(331,008)	(295,210)	(94,852)	(108,812)
Gross profit	42,133	60,419	49,556	23,353	14,034
Other income	1,042	1,260	3,103	641	871
Administrative expenses	(11,705)	(18,503)	(25,796)	(6,108)	(6,075)
Finance costs	(447)	(257)	(358)	(89)	(135)
Profit before income tax	31,023	42,919	26,505	17,797	8,695
Income tax expense	(5,078)	(7,516)	(6,101)	(3,085)	(1,971)
Profit for the year/period	25,945	35,403	20,404	14,712	6,724
Other comprehensive income					
Items that may be classified subsequently to profit or loss					
Fair value gain/ (loss) on available-for-sale financial assets	7	(43)	(9)	(35)	68
Total comprehensive income for the year/period	25,952	35,360	20,395	14,677	6,792

BASIS OF PRESENTATION

Throughout the Track Record Period, Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang were either legal owner of the shares in each of our operating subsidiaries, or shared the operating results in these operating subsidiaries as business beneficiaries. Each of Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang has, in exercising and implementing the management and operation of these operating subsidiaries, been acting in concert with one another to consolidate their control of our Group prior to and after the Reorganisation. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity. For details, please refer to the section headed "History and development" in this document. Accordingly, for the purpose of the preparation of the financial information of our Group, our Company has been considered as the holding

company of the companies now comprising our Group throughout the Track Record Period. The financial information of our Group has been prepared using the principles of merger accounting.

The audited combined financial information of our Group has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, and also comply with the applicable requirements of the Companies Ordinance and the applicable disclosure requirements of the Listing Rules. HKFRS comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. Inter-company transactions, balances and unrealised gains on transactions between our Group companies are eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk factors" in this document, some of which are beyond our control.

Market demand of the slope works industry

Our results of operations are directly affected by our revenue which depends on the market demand for our slope works services. Market demand for our services is affected by the Government's spending budget on public works (especially those involving slope works being the principal type of works we undertook during the Track Record Period) and other macroeconomic factors. During the Track Record Period, our revenue generated from public sector projects represented approximately 91.1%, 93.5%, 91.7%, 93.1% and 92.5% of our total revenue respectively. Reduction in Government expenditures on public works may reduce the demand for slope works in Hong Kong, which may also reduce the prices of our services. With a reduction in demand and/or lowering in contract sums, our business, financial condition and results of operations may be adversely affected.

Our success rate on project tendering

Projects undertaken by us, including those from the public and private sectors, are normally awarded to us through competitive tendering processes. For FY2014, FY2015, FY2016 and 4M2017, we recorded a tender success rate of approximately 23.3%, 17.7%, 8.9% and 5.7% respectively. The total number of registered contractors for slope works has been very stable from 2014 to the first half of 2017. From 2014 to the first half of 2017, these were 34, 35, 35 and 38 registered contractors, respectively for slope works in Hong Kong, but the awarded tenders were 18, 5, 5 and 4 for 2014, 2015, 2016 and the first half of 2017 respectively. Hence, the success rate on project tendering decreased. The tender success rate on project tendering was mainly due to less tender in the market in recent years. Our success rate on project tendering also depends on a range of factors, which primarily include the number of tenders submitted, our tender price and, in respect of Government contracts, our performance ratings under the Contractors' Performance Index

System administered by the Development Bureau. Please refer to the section headed "Business – Competitive strengths" in this document for further details regarding our performance ratings.

Fluctuation in direct costs

The main components of our direct costs are subcontracting charges, which accounted for approximately 78.0%, 79.7%, 76.7%, 73.4% and 83.4% of our direct costs for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively. The subcontracting charges are arrived at by reference to the quotation provided by our subcontractors and the assessment of amount of work to be completed by them, which mainly include wages for subcontractors' employees. According to the Ipsos Report, the average daily wage of construction workers in Hong Kong recorded a CAGR of approximately 11.0% during the period between 2012 and 2016. Fluctuations in the direct costs that we are unable to include appropriate cost estimates in tendering process or preparation of quotations or to pass on these cost escalations to our customers, our gross profit will be adversely impacted. Taken into account the increases in salary levels in keeping pace with the construction labour market in Hong Kong and the probable future economic conditions, the percentage change figures used in the sensitivity analysis below are commensurate with the historical changes in direct labour cost.

The following sensitivity analysis illustrate the impact of hypothetical fluctuations in our subcontracting charges on our profit before tax during the Track Record Period, assuming all other variables remained constant. For prudence sake, our Group adopted a hypothetical fluctuation of 5%, 10% and 15% in performing the sensitivity analysis below:

Hypothetical fluctuations in our subcontracting charges

	+/-5%	**+/-10%**	**+/-15%**
	HK$'000	*HK$'000*	*HK$'000*
Decrease/increase in profit before tax			
Year ended 31 December 2014	-/+ 10,263	-/+ 20,526	-/+ 30,789
Year ended 31 December 2015	-/+ 13,190	-/+ 26,379	-/+ 39,569
Year ended 31 December 2016	-/+ 11,328	-/+ 22,657	-/+ 33,985
Four months ended 30 April 2016	-/+ 3,481	-/+ 6,963	-/+ 10,444
Four months ended 30 April 2017	-/+ 4,537	-/+ 9,074	-/+ 13,611

CRITICAL ACCOUNTING POLICIES AND ESTIMATES AND JUDGEMENTS

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. Notes 2 and 4 of section II of the Accountants' Report in Appendix I to this document set forth certain significant accounting policies. Our combined financial information have been prepared in accordance with HKFRS, which requires that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving us a true and fair view of our results of operations and financial condition. Estimates and judgements are based on our management's historical experience, prevailing market conditions and applicable rules and regulations, and are reviewed on a continual basis taking into account of the changing environment and circumstances. We did not recognise any impairment loss during the Track Record Period.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was principally derived from undertaking slope works and ground investigation field works. The following table sets out a breakdown of our revenue by the type of our work undertaken during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Slope works	288,045	94.4	376,422	96.2	328,663	95.3	116,403	98.5	92,403	75.2
Ground investigation field works	17,217	5.6	15,005	3.8	16,103	4.7	1,802	1.5	30,443	24.8
	305,262	100.0	391,427	100.0	344,766	100.0	118,205	100.0	122,846	100.0

During the Track Record Period, our revenue derived from slope works amounted to the largest portion of our Group's total revenue. Our revenue derived from slope works was approximately HK$288.0 million, HK$376.4 million, HK$328.7 million, HK$116.4 million and HK$92.4 million for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively, and equivalent to approximately 94.4%, 96.2%, 95.3%, 98.5% and 75.2% of our total revenue respectively; while our revenue derived from ground investigation field works was approximately HK$17.2 million, HK$15.0 million, HK$16.1 million, HK$1.8 million and HK$30.4 million for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively, and equivalent to approximately 5.6%, 3.8%, 4.7%, 1.5% and 24.8% of our total revenue respectively.

The majority of our revenue during the Track Record Period was derived from public sector projects which refer to projects originating from Government departments or statutory bodies. The following table sets out a breakdown of our revenue by public and private sectors projects during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Public sector projects	277,997	91.1	366,125	93.5	316,121	91.7	110,088	93.1	113,671	92.5
Private sector projects	27,265	8.9	25,302	6.5	28,645	8.3	8,117	6.9	9,175	7.5
	305,262	100.0	391,427	100.0	344,766	100.0	118,205	100.0	122,846	100.0

During the Track Record Period, our revenue generated from the public sector projects represented the largest portion of our Group's total revenue. Our revenue generated from public sector projects was approximately HK$278.0 million, HK$366.1 million, HK$316.1 million, HK$110.1 million and HK$113.7 million for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively, which is equivalent to approximately 91.1%, 93.5%, 91.7%, 93.1% and 92.5% of our total revenue respectively; while our revenue generated from private sector projects was approximately HK$27.3 million, HK$25.3 million, HK$28.6 million, HK$8.1 million and HK$9.2 million for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively, which is equivalent to approximately 8.9%, 6.5%, 8.3%, 6.9% and 7.5% of our total revenue respectively.

We derive our revenue primarily as main contractor in the slope works projects. The following table sets out a breakdown of our revenue by our role as main contractor or subcontractor during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Main contractor	285,636	93.6	375,765	96.0	324,939	94.2	111,849	94.6	86,232	70.2
Subcontractor	19,626	6.4	15,662	4.0	19,827	5.8	6,356	5.4	36,614	29.8
	305,262	100.0	391,427	100.0	344,766	100.0	118,205	100.0	122,846	100.0

Our revenue generated from our role as main contractor was approximately HK$285.6 million, HK$375.8 million, HK$324.9 million, HK$111.8 million and HK$86.2 million for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively, which is equivalent to approximately 93.6%, 96.0%, 94.2%, 94.6% and 70.2% of our total revenue respectively; while our revenue generated from our role as subcontractor was approximately HK$19.6

million, HK$15.7 million, HK$19.8 million, HK$6.4 million and HK$36.6 million for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively, which is equivalent to approximately 6.4%, 4.0%, 5.8%, 5.4% and 29.8% of our total revenue respectively.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuation in our revenue during the Track Record Period.

Direct costs

The following table sets out a breakdown of our direct costs during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Subcontracting charges	205,257	78.0	263,791	79.7	226,567	76.7	69,626	73.4	90,737	83.4
Direct labour costs	24,487	9.3	28,747	8.7	33,400	11.3	11,635	12.3	8,455	7.8
Construction materials and consumables	13,345	5.1	19,006	5.7	16,567	5.6	8,109	8.5	4,383	4.0
Depreciation	1,253	0.5	1,242	0.4	1,360	0.5	409	0.4	300	0.3
Insurance	4,608	1.8	4,144	1.3	3,192	1.1	1,660	1.8	629	0.6
Others	14,179	5.3	14,078	4.2	14,124	4.8	3,413	3.6	4,308	3.9
	263,129	100.0	331,008	100.0	295,210	100.0	94,852	100.0	108,812	100.0

Direct costs consists of (i) subcontracting charges; (ii) direct labour costs; (iii) construction materials and consumables; (iv) depreciation; (v) insurance; and (vi) others.

Subcontracting charges represent direct costs paid to our Group's subcontractors to handle the site works assigned by us and they are the most significant component of our direct costs.

Direct labour costs represent compensation and benefits provided to our direct labour directly involved in our services, including project management and supervision personnel as well as direct labours for carrying out site works.

Construction materials and consumables mainly represent direct costs for the purchase of concrete and metal materials such as soil nails and steel reinforcement that are directly attributed to our works.

Construction materials and consumables procured by us on behalf of our subcontractors are purchased on a project-by-project basis and we do not maintain any inventory of construction materials and consumables.

Depreciation expenses represent the depreciation costs for our machinery and motor vehicles which are directly involved in our projects.

Insurance represents employees' compensation insurance and contractor's all risks insurance for our projects. Generally, our Group is responsible for the aforesaid insurance when undertaking projects as a main contractor.

Others mainly represent expenditures incurred for repair and maintenance of our motor vehicles, construction industry levy charge on each of our construction projects, machinery and equipment leasing fees and other site work expenses, mainly includes motor vehicle expenses rent and rates, technical changes, electricity and water.

During the Track Record Period, the others include (i) the machinery and equipment leasing fees amounted to approximately HK$1.0 million, HK$1.1 million, HK$1.2 million, HK$41,000 and HK$0.4 million; and (ii) the other site work expenses amounted to approximately HK$12.2 million, HK$11.6 million, HK$11.5 million, HK$3.1 million and HK$3.4 million for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our direct costs during the Track Record Period.

Gross profit and gross profit margin

The following table sets out a breakdown of our gross profit and gross profit margin by public and private sector projects during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	Gross profit	Gross profit margin	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* (unaudited)	*%*	*HK$'000*	*%*
Public sector projects	39,922	14.4	57,741	15.8	46,261	14.6	22,477	20.4	12,272	10.8
Private sector projects	2,211	8.1	2,678	10.6	3,295	11.5	876	10.8	1,762	19.2
	42,133	13.8	60,419	15.4	49,556	14.4	23,353	19.8	14,034	11.4

Our gross profit was approximately HK$42.1 million, HK$60.4 million, HK$49.6 million, HK$23.4 million and HK$14.0 million for FY2014, FY2015, FY2016 and 4M2016 and 4M2017 respectively, while our gross profit margin was approximately 13.8%, 15.4%, 14.4%, 19.8% and 11.4% for the same periods respectively.

There is no segment reporting for our gross profit because our Group regards our business of slope works and ground investigation field works as a single operating segment and reviews our overall results as a whole to make decision about resources allocation during the Track Record Period.

Other income

The following table sets out a breakdown of our other income during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Consultancy fee income	–	–	125	–	–
Management fee income	132	156	24	18	–
Rental income from lease of machinery	422	485	289	60	65
Government grants	267	79	–	–	–
Labour charge income	2	150	1,322	61	251
Safety consultancy income	–	105	617	–	289
Others	219	285	726	502	266
	1,042	1,260	3,103	641	871

During the Track Record Period, other income mainly included (i) rental income from leasing of motor vehicles and machinery; (ii) management fee income derived from provision of administrative services to our related companies; (iii) subsidy from the Government for the retirement of our Pre-Euro IV Diesel Commercial Vehicle; and (iv) labour charges income mainly derived from provision of safety consultancy services by our staff.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our other income.

Administrative expenses

Administrative expenses during the Track Record Period consisted primarily of staff costs, depreciation, motor vehicle expenses and Listing expenses. The following table sets out a breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Staff costs	4,565	39.0	8,039	43.4	9,359	36.3	3,005	49.2	3,140	51.7
Depreciation	3,169	27.1	3,630	19.6	3,005	11.6	1,112	18.2	753	12.4
Listing expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rental expenses	317	2.7	265	1.4	940	3.6	217	3.6	313	5.2
Bank charges	132	1.1	161	0.9	283	1.1	150	2.5	105	1.7
Entertainment and gift	480	4.1	582	3.1	493	1.9	155	2.5	305	5.0
Motor vehicle expenses	899	7.7	713	3.9	569	2.2	150	2.5	157	2.6
General office expenses	343	2.9	420	2.3	675	2.6	70	1.1	88	1.4
Legal and professional fees	211	1.8	325	1.8	1,316	5.1	58	0.9	89	1.5
Loss on disposal of fixed assets	392	3.3	288	1.6	–	–	28	0.5	–	–
Others	1,197	10.3	892	4.8	532	2.2	60	0.9	193	3.2
	11,705	100.0	18,503	100.0	25,796	100.0	6,108	100.0	6,075	100.0

Staff costs mainly represented compensation and benefits provided to our management teams and back office personnel of our Group. Depreciation expenses for our motor vehicles, office equipment and leasehold improvements, which are not directly related to our slope works projects, are recognised as administrative expenses. Motor vehicles expenses mainly represented motor vehicles repair and maintenance costs, fuel costs and vehicle registration licence fees. Legal and professional fees mainly represented safety and ISO audit, and auditors' remuneration. General office expenses mainly include utilities and telecommunicates, donation, stationery and insurance during the Track Record Period. Others mainly represented our Group's expenditures incurred for transportation and repair and maintenance.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our administrative expenses.

Finance costs

Finance costs mainly represent interest expenses for bank loans and overdrafts and finance charge on obligations under finance leases of motor vehicle. Our bank loans and overdrafts obtained during the Track Record Period were mainly used to finance the working capital of our Group. During the Track Record Period, the interest rates on our bank loans was 5.00%, 5.00%, 2.68% to 5.00%, 5.00% and 2.40% per annum for FY2014, FY2015, FY2016, 4M2016 and 4M2017 respectively, and the interest rate on our bank overdrafts ranged from 5.75% to 6.00% and 5.75% to 6.25% per annum for FY2014 and FY2015 respectively.

During the Track Record Period, our Group had 37 motor vehicles under finance leases, and the lease term ranged from two to three years. The effective interest rate on our finance leases was approximately 3.23% to 4.76%, 3.23% to 4.76% and 3.24% to 4.76% and for FY2014, FY2015, FY2016 respectively. The above obligations under finance leases have been fully repaid in FY2016.

Income tax expense

Our Group's revenue during the Track Record Period was derived in Hong Kong and, therefore, our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax was provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for FY2014, FY2015, FY2016, 4M2016 and 4M2017 were approximately 16.4%, 17.5%, 23.0%, 17.3% and 22.7% respectively.

Other comprehensive income

During the Track Record Period, other comprehensive income mainly represented the fair value movement for unlisted unit trust fund held by our Group as securities of our bank borrowings.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 30 April 2017 compared to four months ended 30 April 2016

Revenue

Our revenue increased from approximately HK$118.2 million for 4M2016 to approximately HK$122.8 million for 4M2017, representing an increase of approximately 3.9% or HK$4.6 million. The increase was mainly due to the combined effect of (i) the increase in revenue generated from the projects with revenue contribution in 4M2017 but not in 4M2016 of approximately HK$63.9 million; (ii) the decrease in revenue generated from ongoing projects of approximately HK$52.4 million for 4M2017 as compared to that for 4M2016; and (iii) the decrease in revenue due to the fact that the projects completed in 4M2016 amounted to approximately HK$6.9 million.

(i) ***The projects with revenue contribution in 4M2017 (approximately HK$63.9 million) but not in 4M2016:*** Amounted to approximately HK$63.9 million (or approximately 52.0% of our total revenue for 4M2017), which was contributed by over 30 projects for 4M2017. These projects were slope works and ground investigation projects for private customers, Government departments or statutory bodies that we were engaged as either main contractor or subcontractors. The revenue generated from these projects was approximately HK$63.9 million, representing approximately 52.0% of our total revenue for 4M2017. Among them, two relatively material new projects engaged in marine ground investigation works for HKAA 3 runway system project generated approximately HK$24.3 million and landslip prevention and mitigation works generated approximately HK$10.6 million. These two projects represented approximately 28.4% of our total revenue for 4M2017;

(ii) ***On-going projects (decreased by approximately HK$52.4 million) from 4M2016 to 4M2017:*** Amounted to approximately HK$58.9 million (or 48.0% of our total revenue for 4M2017). There were projects which generated income for both 4M2016 and 4M2017. The revenue generated varies for both 4M2016 and 4M2017 depending on the stage of the slope works. Generally, according to our Directors, lower proportion of revenue is recognised in the beginning and final stage of a project. Revenue generated from projects from CEDD decreased by approximately HK$50.3 million for 4M2017 as compared to that for 4M2016 due to the fact that these projects achieved significant progress in 4M2016. As such, lower level of revenue was contributed for 4M2017. These projects were public slope works of which we were engaged as main contractor. For 4M2016 and 4M2017, the aggregate revenue generated from these projects was approximately HK$95.6 million and HK$45.3 million respectively, representing approximately 80.9% and 36.9% of our total revenue respectively; and

(iii) ***Completed projects (with revenue contribution of over HK$6.9 million) for 4M2016:*** Revenue decreased by approximately HK$6.9 million for 4M2017. This was mainly due to the absence of revenue from twelve completed projects in 4M2016. These twelve projects were slope works and ground investigation

projects, among them, five of these projects were from private sector and seven of these projects were from public sector; and our Group was engaged as main contractor for six of these projects and as subcontractor for six of these projects.

Direct costs

Our direct costs increased from approximately HK$94.9 million for 4M2016 to approximately HK$108.8 million for 4M2017, representing an increase of approximately 14.7% or HK$13.9 million. Such increase was caused by (i) an increase in subcontracting charges by approximately HK$21.1 million; (ii) a decrease in construction material and consumables of approximately HK$3.7 million; and (iii) a decrease in labour costs of approximately HK$3.1 million. Some of our ongoing projects were undertaken by subcontractors. Since these projects were progressing in full gear during 4M2017, our Group's subcontracting charges increased significantly in the said period. As the projects were undertaken by subcontractors (who bear the construction materials and consumables costs and direct labour costs), for 4M2017, our Group's construction materials and consumables costs and direct labour costs decreased by approximately HK$3.7 million and HK$3.1 million respectively as compared to that for 4M2016.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK$23.4 million for 4M2016 to approximately HK$14.0 million for 4M2017, and our gross profit margin decreased from approximately 19.8% to approximately 11.4%, representing a decrease of approximately 8.4% for the same period. Such decrease was mainly contributed by the fact that a substantial part of our ongoing projects for 4M2017 is subcontracted. For 4M2017, the subcontracting revenue comprises of approximately 53.9% of our Group's total revenue (the projects were mainly making gross profit margin ranging from approximately 1.5% to 8.0%). For 4M2016, the subcontracting revenue comprises of approximately 32.3% of our Group's total revenue (the projects were mainly making gross profit margin ranging from approximately 2.3% to 8.1%).

Ultimately, we aim to maintain our market leading position in the slope works industry in Hong Kong. According to the CEDD, amid an increasing volume of available projects in the public sector, this recovery is expected to continue in 2018 and onwards. As such, in order to maintain our market share (revenue growth), subcontractors are used to allow our existing resources to handle the anticipated projects going forward.

Moreover, subcontractors are used in order to optimise our cash flow requirement because, generally, fees payable to subcontractors are only due upon completion of certain value of the permanent work executed of the project while direct costs borne by us (especially direct labour costs) are usually settled upon the commencement of projects on a regular (monthly) basis.

Other income

Our other income increased from approximately HK$0.6 million for 4M2016 to approximately HK$0.9 million for 4M2017, representing an increase of approximately HK$0.3 million or 35.9%. Such increase was primarily due to an increase in safety consultancy income by approximately HK$0.3 million for 4M2017. Such safety consultancy services were undertaken by our Group's surplus labour force that is qualified to act as safety officers.

Administrative expenses

Our administrative expenses remained relatively stable at approximately HK$6.1 million for both 4M2016 and 4M2017.

Finance costs

Our finance costs increased from approximately HK$89,000 for 4M2016 to approximately HK$135,000 for 4M2017, representing an increase of approximately HK$46,000 or 51.7%. The increase was mainly attributable to the increase in interest expenses due to a net increase in bank borrowings for 4M2017 as compared to that for 4M2016.

Income tax expense

The effective tax rates for 4M2016 and 4M2017 were approximately 17.3% and 22.7% respectively, representing an increase of approximately 5.4%. The effective tax rate was higher than the statutory profits tax rate of 16.5%, which was mainly attributable to (i) the non-tax deductible Listing expenses of approximately HK$[REDACTED] million and HK$[REDACTED] million for 4M2016 and 4M2017 respectively; and (ii) immaterial under provision of tax expenses of prior year being recognised in 4M2017.

Profit for the period

As a result of the foregoing, our net profit decreased from approximately HK$14.7 million for 4M2016 to approximately HK$6.7 million for 4M2017, representing a decrease of approximately HK$8.0 million or 54.4% as compared to that for the corresponding period in 4M2016.

FY2016 compared to FY2015

Revenue

Our Group's revenue decreased from approximately HK$391.4 million for FY2015 to approximately HK$344.8 million for FY2016, representing a decrease of approximately 11.9% or HK$46.6 million. The decrease was mainly due to the combined effect of (i) the increase in revenue generated from the projects with revenue contribution in FY2016 but not

in FY2015 of approximately HK$52.1 million; (ii) the decrease in revenue generated from ongoing projects of approximately HK$70.0 million; and (iii) the decrease in revenue due to the fact that the projects completed in FY2015 amounted to approximately HK$28.8 million.

(i) ***The projects with revenue contribution in FY2016 (approximately HK$52.1 million) but not in FY2015:*** Amounted to approximately HK$52.1 million (or approximately 15.1% of our total revenue for FY2016), which was contributed by over 40 projects for FY2016. These projects were slope works and ground investigation projects mainly for private customers with some Government departments or statutory bodies that we were engaged as either main contractor or subcontractors. The revenue generated from these projects was approximately HK$52.1 million, representing approximately 15.1% of our total revenue for FY2016. Among them, a relatively material new project engaged in upgrading and improvement works for roadside man-made slopes/retaining walls in the New Territories generated approximately HK$12.0 million and landslip prevention and mitigation works generated approximately HK$9.9 million, representing approximately 6.4% of our total revenue for FY2016.

(ii) ***Ongoing projects (decreased by approximately HK$70.0 million) from FY2015 and FY2016:*** Amounted to approximately HK$292.7 million (or 84.9% of our total revenue for FY2016). There were projects which generated income for both FY2015 and FY2016. The revenue generated varies for both FY2015 and FY2016 depending on the stage of the slope works. Generally, according to our Directors lower proportion of revenue is recognised in the beginning and final stage of a project. Revenue generated from project from CEDD decreased by approximately HK$72.3 million for FY2016 as compared to that for FY2015 due to the fact that these projects achieved significant progress in FY2015. As such, lower level of revenue was contributed for FY2015. These projects were public slope works of which we were engaged as main contractor. For FY2015 and FY2016 the aggregate revenue generated from these projects was approximately HK$302.1 million and HK$229.8 million respectively, representing approximately 77.2% and 66.6% of our total revenue; and

(iii) ***Completed projects (with revenue contribution of over HK$28.8million) for FY2015:*** Revenue decreased by approximately HK$28.8 million for FY2016. This was mainly due to the absence of revenue contribution from over 40 completed projects. These projects were slope works and ground investigation projects, among them, most of these projects were from private sector; and our Group was engaged as either main contractor for subcontractor for these projects.

Direct costs

Our direct costs decreased from approximately HK$331.0 million for FY2015 to approximately HK$295.2 million for FY2016, representing a decrease of approximately HK$35.8 million or 10.8%. This was mainly due to a decrease in our subcontracting charges from approximately HK$263.8 million for FY2015 to approximately HK$226.6 million for FY2016, representing a decrease of approximately HK$37.2 million or 14.1%. Such decrease in direct costs was generally in line with the decrease in our revenue as mentioned above.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK$60.4 million for FY2015 to approximately HK$49.6 million for FY2016, which was in line with the decrease of revenue from FY2015 to FY2016. Furthermore, our gross profit margin remained relatively stable at approximately 15.4% and 14.4% for FY2015 and FY2016 respectively.

Other income

Our other income increased by approximately HK$1.8 million or 146.3% from approximately HK$1.3 million for FY2015 to approximately HK$3.1 million for FY2016, which was primarily due to the increase in labour charges income of approximately HK$1.2 million, provision of safety consultancy services by our staff.

Administrative expenses

Our administrative expenses increased from approximately HK$18.5 million for FY2015 to approximately HK$25.8 million for FY2016, representing an increase of approximately HK$7.3 million or 39.4%. Such increase was mainly caused by an increase in Listing expenses and staff costs by approximately HK$[REDACTED] million and HK$1.4 million respectively.

Finance costs

Our finance costs increased from approximately HK$257,000 for FY2015 to approximately HK$358,000 for FY2016, representing an increase of approximately HK$101,000 or 39.3%. The increase was mainly attributable to an increase in interest expenses caused by the net increase in bank borrowings in FY2016. Such increase was partially offset by a decrease in finance lease charges caused by the full repayment of certain motor vehicle under the finance lease.

Income tax expense

The effective tax rates for FY2015 and FY2016 were approximately 17.5% and 23.0% respectively. The effective tax rates were higher than the statutory profits tax rate of 16.5% which was mainly attributable to the non-tax deductible Listing expenses of approximately HK$[REDACTED] million and HK$[REDACTED] million for FY2015 and FY2016 respectively.

Profit for the year

As a result of the foregoing, our Group's net profit (including Listing expenses) was approximately HK$20.4 million for FY2016, representing a decrease of approximately HK$15.0 million or 42.4% as compared to that for FY2015.

FY2015 compared to FY2014

Revenue

Our revenue increased from approximately HK$305.3 million for FY2014 to approximately HK$391.4 million for FY2015, representing an increase of approximately 28.2% or HK$86.2 million. Such increase was mainly attributable to the combined effect of (i) the increase in revenue generated from projects with revenue contribution in FY2015 but not in FY2014 of approximately HK$46.7 million for FY2015; (ii) the increase in revenue generated from ongoing projects of approximately HK$61.5 million; and (iii) the decrease in revenue due to the fact that the projects completed in FY2014 amounted to approximately HK$22.0 million.

(i) ***Projects with revenue contribution in FY2015 (approximately HK$46.7 million) but not in FY2014:*** Amounted to approximately HK$46.7 million (or approximately 11.9% of our total revenue for FY2015), which was contributed by over 40 projects for FY2015. These projects were slope works and ground investigation projects mainly for private customers with some Government departments or statutory bodies that we were engaged as either main contractor or subcontractors. The revenue generated from these projects was approximately HK$46.7 million, representing approximately 11.9% of our total revenue for FY2015. Among them, a relatively material new project engaged in improvement works for slope generated approximately HK$8.0 million and slope stabilisation works generated approximately HK$4.8 million, representing approximately 3.3% of our total revenue for FY2015.

(ii) ***Ongoing projects (increased by approximately HK$61.5 million) from FY2014 and FY2015:*** Amounted to approximately HK$344.7 million (or 88.1% of our total revenue for FY2015). There were projects which generated income for both FY2014 and FY2015. The revenue generated varies for both FY2014 and FY2015 depending on the stage of the slope works. Generally, according to our Directors, lower proportion of revenue is recognised in the beginning and final stage of a project. Revenue increased by approximately HK$92.1 million generated by projects from CEDD for FY2015 as compared to that for FY2014 due to the fact that these projects achieved significant progress in FY2015. As such, higher level of revenue was contributed for FY2015. These projects were public slope works of which we were engaged as main contractor. For FY2014 and FY2015 the aggregate revenue generated from these projects was approximately HK$210.3 million and HK$302.4 million respectively, representing approximately 68.9% and 77.3% of our total revenue respectively; and

(iii) ***Completed projects (with revenue contribution of over HK$22.0 million) for FY2014:*** Revenue decreased by approximately HK$22.0 million for FY2015. This was mainly due to the absence of revenue contribution from over 40 completed projects. These projects were slope works and ground investigation projects, among them, most of these projects were from private sector; and our Group was engaged as either main contractor for subcontractor for these projects.

Further details of the aforesaid projects are set out in the paragraph headed "Business – Our projects" in this document.

Direct costs

Our direct costs increased from approximately HK$263.1 million for FY2014 to approximately HK$331.0 million for FY2015, representing an increase of approximately HK$67.9 million or 25.8%. This was mainly due to the combined effect of (i) the increase of our subcontracting charges from approximately HK$205.3 million for FY2014 to approximately HK$263.8 million for FY2015, representing an increase of approximately HK$58.5 million or 28.5%; (ii) the increase of our direct labour costs from approximately HK$24.5 million for FY2014 to approximately HK$28.7 million for FY2015, representing an increase of approximately HK$4.2 million or 17.4%; and (iii) the increase of our construction materials and consumables costs from approximately HK$13.3 million for FY2014 to approximately HK$19.0 million for FY2015, representing an increase of approximately HK$5.7 million or 42.4%. Such increase in direct costs was generally in line with our revenue growth for FY2015, which was mainly resulted from the increases in (i) scale of slope works subcontracted to our subcontractors; (ii) purchase of construction materials and consumables; and (iii) direct labour costs incurred of Project 13, Project 15 and Project 16 during FY2015.

Gross profit and gross profit margin

Our gross profit margin was generally higher in public sector projects than private sector projects for both FY2014 and FY2015. Our gross profit increased from approximately HK$42.1 million for FY2014 to approximately HK$60.4 million for FY2015, while our gross profit margin increased from approximately 13.8% for FY2014 to approximately 15.4% for FY2015, representing an increase of approximately 11.6 percentage points for the same period. This was mainly due to the increase in revenue contributed by public sector projects. Our gross profit and gross profit margin for public sector projects increased from approximately HK$39.9 million and 14.4% for FY2014 to approximately HK$57.7 million and 15.8% for FY2015, representing an increase of approximately 44.6% and 9.7 percentage points respectively, while our gross profit and gross profit margin for private sector projects increased from approximately HK$2.2 million and 8.1% for FY2014 to approximately HK$2.7 million and 10.6% for FY2015, representing an increase of approximately 21.1% and 30.9 percentage points respectively.

The increase in gross profit margin for FY2015 was mainly contributed by two of our major public sector projects with relatively higher gross profit margin. Our Group was engaged as main contractor for these projects which were in full swing during FY2015. Revenue contributed by these projects in aggregate accounted for approximately 25.1% of our total revenue for FY2015. Such higher gross profit margin was mainly due to the complexities of these projects undertaken for example (i) difficulty of delivering construction materials to the construction site due to road and access with traffic restrictions and restricted hours of access; (ii) design and construction of complex barriers system in these projects; (iii) higher price trend of public sector contracts in FY2013; and (iv) specific environmental control for carrying our construction works as the work site is close to a

country park. Ultimately, these projects benefited by the availability of our design and project teams to direct execute these projects efficiently, which resulted in cost savings and higher gross profit margin than overall gross profit margin for FY2015.

The effect was partially offset by other public and private sector projects, being subcontracted to our subcontractors which resulted in our Group only capturing lower level of gross profit margin as compared to the overall gross profit margin in FY2014 and FY2015. For FY2015, our Group priced lower for the private sector projects, which were the new customers in private developers to establish the business relationship and to further expand our customer base.

Other income

Our other income increased by approximately 20.9% from approximately HK$1.0 million for FY2014 to approximately HK$1.3 million for FY2015, which was primarily due to the increase in labour charges income and safety consultancy income of approximately HK$0.3 million.

Administrative expenses

Our administrative expenses increased by approximately 58.1% from approximately HK$11.7 million for FY2014 to approximately HK$18.5 million for FY2015. Such increase was mainly due to (i) the non-recurring Listing expenses of approximately HK$[REDACTED] million; (ii) the increase in our Directors' emoluments from approximately HK$1.6 million for FY2014 to approximately HK$3.5 million for FY2015; and (iii) the increase in headcount of administrative staff from 13 as at 31 December 2014 to 18 as at 31 December 2015.

Finance costs

Our finance costs decreased from approximately HK$0.4 million for FY2014 to approximately HK$0.3 million for FY2015. The decrease was mainly attributable to (i) the decrease in interest expenses on obligations under finance leases of motor vehicle, as a result of the number of our motor vehicles under finance leases decreased from 28 as at 31 December 2014 to 11 as at 31 December 2015; and (ii) the decrease in our average bank borrowings for FY2015.

Income tax expense

The effective tax rates for FY 2014 and FY2015 were approximately 16.4% and 17.5% respectively. The effective tax rate for FY2015 was slightly higher than the statutory profits tax rate of 16.5% which was mainly attributable to the non-tax deductible Listing expenses of approximately HK$[REDACTED] million in FY2015.

Profit for the year

Our Group's profit for the year was approximately HK$35.4 million for FY2015, representing an increase of approximately HK$9.5 million or 36.5% as compared to that for the corresponding period in FY2014, which was mainly due to (i) the increase in revenue by

approximately HK$86.2 million for FY2015; and (ii) the increase in gross profit and gross profit margin from approximately HK$42.1 million and 13.8% for FY2014 to approximately HK$60.4 million and 15.4% for FY2015 respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources, advances from related companies and a director, and bank borrowings during the Track Record Period. Our Group's principal uses of cash have been, and are expected to continue to be, operational costs and investing activities. Upon Listing, our sources of funds will be a combination of internal generated funds, bank borrowings and net proceeds from the [REDACTED]. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank borrowings and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank borrowings and finance leases obligation when they fall due.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	
Net cash generated from operating activities	16,796	27,404	21,297	19,071	10,502
Net cash (used in)/generated from investing activities	(6,907)	(173)	402	(304)	(646)
Net cash generated from/(used in) financing activities	1,748	(7,307)	(10,596)	(21,159)	(27,009)
Net increase in cash and cash equivalents	11,637	19,924	11,103	(2,392)	(17,153)
Cash and cash equivalents at beginning of year/period	10,747	22,384	42,308	42,308	53,411
Cash and cash equivalents at end of year/period	22,384	42,308	53,411	39,916	36,258

Cash flows from operating activities

Our cash inflow from operating activities was primarily generated from undertaking slope works and ground investigation works and our cash outflow for operating activities mainly included subcontracting charges, purchase of construction materials and consumables, direct labour cost and other expenses. Our cash flows from operating activities were affected by a number of factors, which mainly included the progress of our works and the settlement of trade receivables by our customers and trade payables by our Group.

For 4M2017, we had net cash generated from operating activities of approximately HK$10.5 million, primarily as a result of profit before tax of approximately HK$8.7 million, adjusted for (i) cash inflow for depreciation of approximately HK$1.0 million; (ii) cash inflow for decrease in trade and other receivables of approximately HK$3.7 million; (iii) cash inflow for decrease in amounts due from customers on construction contracts of approximately HK$11.2 million; (iv) cash outflow for decrease in trade and other payables of approximately HK$7.8 million; (v) cash outflow for decrease in amounts due to customers on construction contracts of approximately HK$1.3 million; and (vi) income tax paid of approximately HK$4.9 million.

For FY2016, we had net cash generated from operating activities of approximately HK$21.3 million, primarily as a result of profit before tax of approximately HK$26.5 million, adjusted for (i) cash inflow for depreciation of approximately HK$4.4 million; (ii) cash inflow for decrease in amounts due from customers on construction contracts of approximately HK$19.2 million; (iii) cash outflow for decrease in trade and other payables of approximately HK$8.9 million; and (iv) income tax paid of approximately HK$23.1 million.

For FY2015, we had net cash generated from operating activities of approximately HK$27.4 million, primarily as a result of profit before tax of approximately HK$42.9 million, adjusted for (i) cash inflow for depreciation of approximately HK$4.9 million; (ii) cash outflow for increase in amounts due from customers on construction contracts of approximately HK$25.2 million resulting from the timing difference between the project progress (in terms of percentage of project completion) recorded by us and the issuance of progress certificate and billing of the projects; and (iii) cash outflow for increase in trade and other receivables of approximately HK$3.2 million resulting from the salaries and miscellaneous expenses paid on behalf of our subcontractors; and (iv) cash inflow for increase in trade and other payables of approximately HK$9.1 million.

For FY2014, we had net cash generated from operating activities of approximately HK$16.8 million, primarily as a result of profit before tax of approximately HK$31.0 million, adjusted for (i) cash inflow for depreciation of approximately HK$4.4 million; (ii) cash outflow for increase in amounts due from customers on construction contracts of approximately HK$13.3 million resulting from the timing difference between the project progress (in terms of percentage of project completion) recorded by us and the issuance of progress certificate and billing of the projects; (iii) cash outflow for increase in trade and other receivables of approximately HK$17.8 million resulting from the prepayment of insurance in relation to our slope works projects and the revenue derived from several public sector projects which was certified by customer A in December 2014; and (iv) cash inflow for increase in trade and other payables of approximately HK$9.8 million.

Cash flows from investing activities

For 4M2017, we had net cash used in investing activities of approximately HK$0.6 million, which was mainly attributable to (i) purchase of property, plant and equipment of approximately HK$1.0 million; and (ii) proceeds from disposal of property, plant and equipment of approximately HK$0.4 million.

For FY2016, we had net cash generated from investing activities of approximately HK$0.4 million, which was mainly attributable to (i) proceeds from disposal of property, plant and equipment, particularly motor vehicles, of approximately HK$1.0 million; and (ii) purchase of property, plant and equipment of approximately HK$0.6 million.

For FY2015, we had net cash used in investing activities of approximately HK$0.2 million, which was mainly attributable to (i) purchase of property, plant and equipment, particularly motor vehicles, of approximately HK$1.0 million; and (ii) proceeds from disposal of property, plant and equipment of approximately HK$0.8 million.

For FY2014, we had net cash used in investing activities of approximately HK$6.9 million, which was mainly attributable to (i) purchase of property, plant and equipment, particularly motor vehicles, of approximately HK$7.9 million.

Cash flows from financing activities

For 4M2017, we had net cash used in financing activities of approximately HK$27.0 million, which was mainly attributable to (i) repayment of dividend of approximately HK$30.0 million; (ii) decrease in amounts due from Directors of approximately HK$5.3 million; and (iii) repayment of bank borrowings of approximately HK$2.2 million.

For FY2016, we had net cash used in financing activities of approximately HK$10.6 million, which was mainly attributable to (i) the increase in amount due from our Director, of approximately HK$25.0 million for (ii) repayment of borrowings of approximately HK$4.2 million; offset by (ii) the proceeds from new borrowing of approximately HK$20.0 million obtained in June 2016.

For FY2015, we had net cash used in financing activities of approximately HK$7.3 million, which was mainly attributable to (i) payment of obligation under finance lease of approximately HK$3.2 million; (ii) dividend paid of approximately HK$1.2 million; and (iii) increase in amount due from related companies of approximately HK$2.0 million.

For FY2014, we had net cash generated from financing activities of approximately HK$1.7 million, which was mainly attributable to (i) payment of obligation under finance lease of approximately HK$3.3 million; (ii) decrease in amounts due from Directors of approximately HK$4.7 million; and (iii) decrease in amount due from related companies of approximately HK$0.7 million.

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 December 2014, 2015, 2016, 30 April 2017 and 31 May 2017, being the latest practicable date for determining our Group's indebtedness:

	As at 31 December			As at 30 April	As at 31 May
	2014	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Trade and other receivables	50,394	53,598	49,640	45,897	40,639
Amounts due from directors	7,034	6,840	15,272	9,950	14,954
Amounts due from related companies	419	173	267	372	372
Amounts due from customers on construction contracts	36,372	61,551	42,402	31,193	34,076
Tax recoverable	–	–	1,538	4,616	4,165
Cash and bank balances	23,757	46,018	53,411	36,258	30,565
	117,976	168,180	162,530	128,286	124,771
Current liabilities					
Trade and other payables	37,550	46,688	37,791	29,961	25,511
Borrowings, secured	2,633	4,570	16,667	14,444	13,889
Obligation under finance leases	2,823	1,134	–	–	–
Amounts due to customers on construction contracts	4,726	3,155	2,481	1,165	1,164
Amounts due to directors	15,318	16,594	5	2	–
Amounts due to related companies	2,214	–	–	–	–
Tax payable	7,393	15,564	–	–	–
	72,657	87,705	56,944	45,572	40,564
Net current assets	45,319	80,475	105,586	82,714	84,207

Our net current assets decreased from approximately HK$105.6 million as at 31 December 2016 to approximately HK$82.7 million as at 30 April 2017. The decrease was mainly due to (i) the decrease in amounts due from customers on construction contracts of approximately HK$11.2 million; (ii) the decrease in cash and bank balances of approximately HK$17.2 million; and (iii) the decrease in trade and other payables balance of approximately HK$7.8 million.

Our net current assets increased from approximately HK$80.5 million as at 31 December 2015 to approximately HK$105.6 million as at 31 December 2016. The increase was mainly due to the combined effect of (i) the decrease in trade and other payables balance of HK$8.9 million; and (ii) the decrease in amounts due to directors of approximately HK$16.6 million.

Our net current assets increased from approximately HK$45.3 million as at 31 December 2014 to approximately HK$80.5 million as at 31 December 2015. The increase was mainly due to (i) the increase in cash and balances of approximately HK$22.3 million as a result of cash inflow generating from our operating activities; (ii) the increase in amounts due from customers on construction contracts of approximately HK$25.2 million; and (iii) the increase in trade and other payables of approximately HK$9.1 million as a result of the increase in amount of slope works subcontracted to our subcontractors.

ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our Group's property, plant and equipment mainly consist of (i) plant and machinery including air compressor and generators; (ii) motor vehicles (iii) furniture and fixtures; (iv) leasehold improvement; and (v) computer and software. As at 31 December 2014, 2015, 2016 and 30 April 2017, our property, plant and equipment amounted to approximately HK$14.5 million, HK$10.0 million, HK$5.3 million and HK$5.0 million respectively.

Our Group acquired certain property, plant and equipment under finance lease. The carrying amount of property, plant and equipment held by our Group under finance leases amounted to approximately HK$6.4 million, HK$2.6 million, nil and nil as at 31 December 2014, 2015, 2016 and 30 April 2017 respectively.

Trade and other receivables

Our trade and other receivables as at 31 December 2014, 2015, 2016 and 30 April 2017 amounted to approximately HK$50.4 million, HK$53.6 million, HK$49.6 million and HK$45.9 million respectively. The following table sets forth a breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	21,595	20,984	21,043	18,007
Retention receivables	17,115	17,644	18,433	18,483
Other receivables and prepayment	9,557	11,934	8,355	7,632
Utility and other deposits	2,127	3,036	1,809	1,775
	50,394	53,598	49,640	45,897

Trade and retention receivables

Our trade receivables remain stable at approximately HK$21.0 million as at 31 December 2016 as compared to approximately HK$21.6 million and HK$21.0 million as at 31 December 2014 and 2015 respectively, which was due to consistent control over the receivables. Our trade receivables decreased from approximately HK$21.0 million as at 31 December 2016 to HK$18.0 million as at 30 April 2017 which was in line with the decrease in revenue.

Our retention receivables amounted to approximately HK$17.1 million, HK$17.6 million, HK$18.4 million and HK$18.5 million as at 31 December 2014, 2015, 2016 and 30 April 2017 respectively. Such increase was resulted from the increase in scale of slope works projects undertaken by our Group during the Track Record Period.

Our Group usually provides customers with a credit term of 21-30 days. Our public sector customers are generally required to make payments to us within 21 days after the issue of progress certificate, while our private sector customers are normally required to make payments to us within 30 days after the issue of the debit note or invoice. The following table sets forth our trade receivables turnover days for the years/period indicated:

	Year ended 31 December			Four months ended 30 April
	2014	**2015**	**2016**	**2017**
Trade receivables turnover days *(Note)*	22 days	20 days	22 days	19 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables for the year/period divided by revenue for the year/period, then multiplied by the number of days in the year/period (i.e. 365/120 days).

Our trade receivables turnover days remained relatively stable during FY2014, FY2015, FY2016 and 4M2017 and amounted to approximately 22 days, 20 days, 22 days and 19 days respectively.

A portion of contract value is usually withheld by our customers as retention money and the amount of retention money, which depends on negotiation with our customers. During the Track Record Period, our retention money, which depends on negotiation with our customers, generally represents 5% to 10% of the value of the works done. The following table sets forth our turnover days of retention receivables for the years/period indicated:

	Year ended 31 December			Four months ended 30 April
	2014	**2015**	**2016**	**2017**
Retention receivables turnover days *(Note)*	364 days	400 days	478 days	466 days

Note: Retention receivables turnover days is calculated based on the average of the beginning and ending balance of retention receivables for the year/period divided by the respective percentage of the value of each of our projects for the year/period, then multiplied by the number of days in the year/period (i.e. 365/120 days).

Our retention receivable turnover days increased from approximately 364 days for FY2014 to approximately 400 days for FY2015 and further increased to approximately 478 days for FY2016. Our retention receivable turnover days decrease to approximately 466 days for 4M2017. During the Track Record Period, the long retention receivable turnover days was maintained due to our retention money was or will be generally released one year after the completion of the respective construction project.

As the majority of our revenue during the Track Record Period was derived from our customers in Government departments and statutory bodies, our Directors consider that the credit risk in relation to the collection of our trade and retention receivables of our customers from public sector is relatively low. Nevertheless, we occasionally experienced overdue payments from our customers. We have implemented a policy to monitor and evaluate overdue payments on a case-by-case basis and consider the appropriate follow-up actions (including but not limited to issuing payment reminders, actively communicating with customers, and, if necessary, taking legal actions) having regard to our customer's normal payment processing procedures, our relationship with our customers, its history of making payments to us, its financial position as well as the general economic environment.

The ageing analysis of our trade receivables based on the invoice dates as at the dates indicated:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	20,146	16,152	17,911	16,190
31 – 60 days	231	3,140	2,896	673
61 – 90 days	57	137	25	844
Over 90 days	1,161	1,555	211	300
	21,595	20,984	21,043	18,007

As at 7 July 2017, approximately 97.0% or HK$17.5 million of our trade receivables as at 30 April 2017 had been subsequently settled:

The ageing analysis of our retention receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	
Due within one year	11,277	9,540	8,304	8,824
Due after one year	5,838	8,104	10,129	9,659
	17,115	17,644	18,433	18,483

As at 7 July 2017, approximately 11.5% or HK$2.1 million of our retention receivables as at 30 April 2017 had been subsequently settled.

Retention money withheld are normally released to us after the receipt of completion certificate and/or the expiry of the maintenance period. In view of the nature of retention receivables and having considered our collection experience with the relevant customers, our Directors consider that the outstanding balance of retention receivables are recoverable.

Our Directors confirm that we had not experienced any material defaults of trade and retention receivables during the Track Record Period and up to the Latest Practicable Date.

Amounts due from/to Director(s) and related companies

The following table sets out our amounts due from/to Directors and related companies as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from Directors	7,034	6,840	15,272	9,950
Amounts due from related companies	419	173	267	372
Amounts due to Directors	15,318	16,594	5	2
Amounts due to related companies	2,214	–	–	–

During the Track Record Period, amounts due from Directors mainly represented advances to Mr. Cheung and Mr. Yau, our Directors, for their personal use. The amounts were non-trade in nature, unsecured, interest-free and repayable on demand.

During the Track Record Period, amounts due from related companies mainly represented advances to our related companies for their daily operations. The amounts were non-trade in nature, unsecured, interest-free and repayable on demand.

During the Track Record Period, amounts due to related companies and amount due to a Director mainly represented short term advances for working capital of our Group, and were unsecured, interest-free and repayable on demand.

All amounts due from/to Director(s) and related companies will be settled before the Listing.

Amounts due from/to customers on construction contracts

Our revenue from construction contracts is recognised based on the stage of completion of the contracts. The stage of completion is recorded by reference to construction works certified. There is normally a timing difference between the completion of site works and the issuance of progress certificates and billing of our projects. Our Group records amounts due from customers on construction contracts when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is greater than the amount of progress billings of the project. On the other hand, our Group records amounts due to customers on construction contracts when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is less than the amount of progress billings of the project. Our Group normally submits interim payment applications to our customers on a monthly basis. The following table sets forth the amounts due from/to customers on construction contracts as at each of the Track Record Period:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from customers on construction contracts	36,372	61,551	42,402	31,193
Amounts due to customers on construction contracts	4,726	3,155	2,481	1,165

The amounts due from/to customers on construction contracts are normally affected by (i) the volume and amount of works handled by our Group at the time close to the end of each of the Track Record Period; and (ii) the timing of issuing progress certificates by our customers, which can vary significantly from period to period. The general increasing trend of the amounts due from customers on construction contracts during the Track Record Period was positively correlated with the increase in size of projects undertaken by our Group.

Trade and other payables

As at 31 December 2014, 2015, 2016 and 30 April 2017, our trade and other payables amounted to approximately HK$37.6 million, HK$46.7 million, HK$37.8 million and HK$30.0 million, respectively. The following table sets out the breakdown of trade and other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	21,933	29,439	17,331	13,772
Retention payables	11,114	10,628	13,301	13,569
Accruals and other payables	4,503	6,621	7,159	2,620
	37,550	46,688	37,791	29,961

Our trade payables primarily comprised payables to subcontractors and suppliers of construction materials and consumables. Our retention payables represent retention money held by us from our subcontractors. For details, please refer to the paragraph headed "Business – Suppliers – Major terms of engagement with our subcontractors" in this document. Our accruals and other payables mainly include accruals and payables for staff salaries and allowances, Listing fees, professional fees and utilities.

Our trade payables increased from approximately HK$21.9 million as at 31 December 2014 to approximately HK$29.4 million as at 31 December 2015. Such increase was mainly due to the timing difference between the payment received from our customers and payment made to our subcontractors in certain projects prior to and after 31 December 2015 respectively. Our trade payables further decreased to approximately HK$17.3 million as at 31 December 2016, which was mainly due to the increase in payment made to our subcontractors near the year end of 2016. Our trade and other payables decreased to approximately HK$30.0 million as at 30 April 2017 which was mainly due to the decrease in trade payables of approximately HK$3.6 million and decrease in accruals and other payables of approximately HK$4.5 million as at 30 April 2017.

Our retention payables amounted to approximately HK$11.1 million, HK$10.6 million, HK$13.3 million and HK$13.6 million as at 31 December 2014, 2015, 2016 and 30 April 2017 respectively, representing an overall increasing trend resulted from the increase in amount of works subcontracted to our subcontractors to cope with our revenue growth over the Track Record Period.

The following table sets forth an ageing analysis of trade payables based on the invoice dates as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	17,574	19,809	11,442	10,325
31 – 60 days	2,131	5,285	4,827	1,502
61 – 90 days	562	687	355	788
Over 90 days	1,666	3,658	707	1,157
	21,933	29,439	17,331	13,772

As at 7 July 2017, approximately 96.4% or HK$13.3 million of our trade payables as at 30 April 2017 had been subsequently settled.

We are usually granted by our suppliers a credit period of approximately 30-60 days. The following table sets out our trade payables turnover days for the years/period indicated:

	Year ended 31 December			Four months ended 30 April
	2014	2015	2016	2017
Trade payables turnover days *(Note)*	26 days	28 days	29 days	17 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by direct costs for the year/period, then multiplied by the number of days in the year/period (i.e. 365/120 days).

Our trade payables turnover days were approximately 26 days, 28 days, 29 days and 17 days for FY2014, FY2015, FY2016 and 4M2017 respectively, which were within the credit period granted by our suppliers.

Income tax payable

For FY2014, FY2015, FY2016 and 4M2017, our Group's tax payable balances were approximately HK$7.4 million, HK$15.6 million, nil and nil, respectively. The decrease in our tax payable was mainly due to the settlement of our outstanding taxes before the reporting period.

The Tax Incident

Pursuant to the HKAS 11, the stage of completion of a construction contract may be determined in a variety of ways, including:

(1) the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs; or

(2) surveys of work performed; or

(3) completion of a physical proportion of the contract work.

Except U-Win, each of our Group Companies' profits tax returns and/or the supporting tax computations were submitted to the IRD based on the Original Statutory Financial Statements prepared by the management of our Company and audited by our Group Companies' auditors in accordance with all applicable HKFRS. No statutory financial statements have been prepared for U-Win since the date of its establishment as U-Win is a sole proprietorship and not subject to statutory audit. U-Win's profits were assessed in Mr. Yau's individual tax returns.

According to our Group Companies' Original Statutory Financial Statements for or before the years ended FY2014 (for Geotech Engineering and GeoResources) or 31 March 2015 (for Richway and Yau Wing), the recognition of contract revenue was based on the proportion of contract costs incurred to date (i.e. method (1) of HKAS 11 was adopted) while the recognition of contract costs was based on the actual costs incurred. Certifications of our Group's works certified by the customers (or the customers' agents) were not taken into account.

Subsequently, our Group's New FC, who realised that it would be more reliable to recognise our Group Companies' revenue and costs by adopting method (2) of HKAS 11, i.e. based on the stage of completion of the contract activity certified by our Group's customers (or the customers' agents). During the course of the projects, actual contract margin may deviate from the original contract margin (budgeted at the beginning of the contract) mainly caused by the following Subsequent Contract Events which resulted in overall higher actual contract margin:

(i) additional payment from customers due to project complexity (e.g. site with access difficulties); and

(ii) approval of design of flexible barriers system resulted in lower project costs.

As such, our Group Companies' Original Statutory Financial Statements for the year ended FY2015 (for Geotech Engineering and GeoResources) or 31 March 2016 (for Richway and Yau Wing) and onwards recorded higher contract margin as compared to that for the previous financial years.

In respect of U-Win, it did not adopt HKAS 11 for preparing the profit and loss accounts.

For the purpose of preparation of our Group's Accountants' Report for the Track Record Period, the Directors have prepared and provided to the Reporting Accountants the Underlying Financial Statements for the Track Record Period. The financial information contained in the Underlying Financial Statements was prepared based on the sum of (a) the unaudited company level underlying financial statements ("**CUFS**") of each of our Group Companies for the Track Record Period (revenue and cost of the CUFS were recognised under method (2) of HKAS 11); and (b) the consolidation adjustments.

Since the Underlying Financial Statements was prepared by our Group's current management, method (2) of HKAS 11 was consistently applied throughout the Track Record Period. In addition, the effects of Subsequent Contract Events were recognised in the CUFS throughout the Track Record Period as opposed to the year ended FY2015 (for Geotech Engineering and GeoResources) or 31 March 2016 (for Richway, Yau Wing and U-Win) for the Original Statutory Financial Statements.

As a result of the above, our Group's tax payment (i.e. cash outflow based on Original Statutory Financial Statements or tax returns filed by Mr. Yau) during FY2013, FY2014 and FY2015 was less than the income tax expense as shown in the Accountants' Report (the "**Tax Incident**").

Accounting Differences

In light of the above, the Original Statutory Financial Statements and the CUFS of our Group Companies were different and Accounting Differences arose.

Tax Opinion

In this regard, we have obtained the Tax Opinion issued by the Tax Consultant in respect of (i) the view from the IRD for the Accounting Differences pursuant to (a) the relevant accounting standards and (b) the relevant sections of IRO; (ii) the chance of potential challenge from the IRD in relation to the understating profit of our Group Companies for the years of assessment (where applicable) 2009/2010 to 2015/2016; and (iii) in case of challenge by the IRD, the potential liabilities that may be imposed on our Group Companies by the IRD.

According to the Tax Opinion, although the IRD may re-examine and re-assess the tax position of our Group Companies under Sections 80(2), 82(1)(b) or 82A(1) of the IRO, it is opined that:

- the chance of the IRD to charge as well as the chance of potential charge from the IRD to be successful in respect of the understating profit of our Group Companies for the years of assessment (where applicable) 2009/2010 to 2015/2016 is low or remote according to the Tax Opinion that we will have a strong defense to (i) the potential charge of making an incorrect return without reasonable excuse under sections 80(2) or 82A(1) of the IRO as the returns of

each of our Group Companies for the years of assessment (where applicable) 2009/2010 to 2015/2016 submitted to the IRD was supported by its statutory financial statements (thus it was not an 'incorrect return') and independently audited by independent third party statutory auditors using relevant audit evidence and governed by HKICPA (thus our Group Companies had a 'reasonable excuse'); and (ii) the potential charge of evading tax with a willful intent and making any false statement or entry in any return under sections 82(1)(b) of the IRO as in addition to the supporting statutory financial statements submitted with the tax returns, the audit opinion was a true and fair view of the financial positions of our Group Companies; and

- in case of charge under Sections 80(2), or 82A(1) of the IRO, the potential liabilities under the relevant IRO should be minimal in view of our strong defense as stated above according to the Tax Opinion.

Furthermore, based on the Tax Opinion,

- no reassessment is required to be submitted to the IRD by our Group Companies for the years of assessment (where applicable) 2009/2010 to 2015/2016 that (i) each of our Group Companies have properly submitted tax returns as supported by the statutory financial statements in accordance with the Departmental Interpretation and Practice Notes No. 1 (revised); (ii) the Accounting Differences are arisen from the judgment and estimation adopted by the statutory auditors, the management of our Group and the Reporting Accountants; (iii) the Reporting Accountants have a longer period to observe the events after reporting period as stated in Hong Kong Accounting Standard 10 "Events after the Reporting Period"; and (iv) the statutory auditors have expressed a true and fair view of the financial positions in the statutory financial statements of our Group Companies and if reassessment is necessary, the potential liabilities under the relevant IRO should be minimal for the reasons stated above; and

- the chances that the IRD would challenge the relevant historical tax position in relation to the Accounting Differences would be slim and even if reassessment is requested by the IRD, the potential liabilities under the relevant IRO should be minimal for the reasons stated above.

Based on the Tax Opinion, the Tax Consultant was of the view that our Group has properly filled and reported the tax records of our Group Companies for the years of assessment 2009/2010 to 2015/2016 when and where required, in accordance with the requirements of the IRO; and the Accounting Differences have been made to and reflected in the tax records of our Group Companies for the year of assessment 2015/2016 to the IRD.

Notwithstanding the Tax Opinion, there is no assurance that the IRD will not have a different interpretation of the relevant tax position of the Accounting Differences. The IRD may examine and reassess the tax position of our Group Companies and subsequently challenge our Group Companies' submitted tax positions arising from the Accounting Differences. According to the Tax Consultant's calculation and based on review of the relevant tax records of our Group Companies, the aggregate amount of temporary tax

liabilities for our Group Companies were approximately HK$0.7 million, HK$1.4 million and HK$4.5 million for the years of assessment 2012/2013, 2013/2014 and 2014/2015 (the "**Relevant Period**") respectively. The potential penalty for such temporary tax liabilities may vary depending on which provision of the IRO the charge is brought under but as mentioned above, the Tax Consultant is of the view that we have a strong defense to a potential charge under Sections s80(2), 82(1)(b) and s82A(1) of the IRO. For reference only, the potential penalty based on our circumstances according to the Tax Consultant would be a claim for the charged interest of the temporary tax liabilities amount under Section 75(1) of the IRO (which states that tax due and payable under the IRO shall be recoverable as a civil debt due to the Government) and Section 50 of the District Court Ordinance (judgment debt shall carry interest from the commencement of proceedings till full settlement). Based on the temporary tax liabilities calculation and the potential penalty under Section 75(1) of the IRO, section 50 of the District Court Ordinance and the interest rate currently adopted by the IRD of 8% per annum, the potential penalty is estimated to be approximately HK$0.8 million in aggregate, for the Relevant Period. Our Controlling Shareholders have undertaken to indemnify our Group in respect of any potential liabilities and/or the resulting penalty or surcharge as assessed by the IRD in relation to any tax issues to which our Group may be liable.

Original Statutory Financial Statements

No prior year adjustment was noted and mentioned in the Original Statutory Financial Statements. Our Group Companies' Original Statutory Financial Statements were audited by the statutory auditors. The statutory auditors expressed an opinion that the Original Statutory Financial Statements of each of our Group Companies were properly prepared in accordance with the HKFRS and gave a true and fair view of the financial performance and positions of our Group Companies for the financial years ended 31 December 2013 and 2014 (for Geotech Engineering and GeoResources) and 31 March 2014 and 2015 (for Richway and Yau Wing). After having considered the effects of the Subsequent Contract Events, the statutory auditors expressed an opinion that the Original Statutory Financial Statements of each of our Group Companies were properly prepared in accordance with the HKFRS and gave a true and fair view of the financial performance and positions of our Group Companies for the financial year ended FY2015 (for Geotech Engineering and GeoResources) or 31 March 2016 (for Richway and Yau Wing). The corresponding tax records were then filed and reported to the IRD.

The Reporting Accountants noted no prior year adjustment in the Original Statutory Financial Statements and did not have any comment on the Original Statutory Financial Statements. For the purpose of preparation of the Accountants' Report, the Reporting Accountants solely audited the Underlying Financial Statements (which included the CUFS and consolidation adjustments) prepared in accordance with HKFRS issued by the HKICPA. According to the Accountants' Report (i.e. the audited Underlying Financial Statements), the financial information in the Accountants' Report gave a true and fair view of the financial position, financial performance and cash flows of our Group for the Track Record Period. According to the Reporting Accountants, the CUFS, Underlying Financial Statements and financial information in the Accountants' Report were prepared under HKFRS during the Track Record Period, no prior year adjustment has been made.

Revised Statutory Financial Statements

Our Company's previous listing application was submitted on 30 June 2016. Subsequent to the lapse (i.e. 31 December 2016) of the previous listing application and in order to fully address the Stock Exchange's concerns on the Tax Incident, our Company has taken the following additional actions:

(i) Our Company endeavoured to obtain an additional independent professional view in assessing the cause and impact of the Tax Incident. For this purpose, our Company engaged an advisory firm for the purpose of, among others, (a) performing accounting support on our Group's application of certain HKAS in relation to our Group's accounting policies, accounting estimates and judgements on revenue recognition of construction contracts; and (b) assisting the management of our Group in assessing its internal control systems (in particular, the internal control system between our Group's finance team and project team) over financial reporting.

(ii) In view of the advisory firm's assessments, the main reasons for the differences between the Original Statutory Financial Statements and the CUFS of our Group Companies (which comprises the Underlying Financial Statements audited by the Reporting Accountants) are as follows:

  (a) Initial project cost was not retained and there was a lack of review over budgeted project costs for the preparation of the financial statements.

  (b) There was insufficient communication between our Group's project team and finance team in relation to change to contract sums and budgeted project costs.

(iii) Having considered the advisory firm's assessments and recommendations, the followings were prepared:

  (a) Revised statutory financial statements (with prior year adjustments) of Geotech Engineering and GeoResources for the year ended FY2015 (with restated comparative figures for FY2013 and FY2014) and the revised profit and loss accounts for FY2012; revised statutory financial statements (with prior year adjustments) of Richway and Yau Wing for the year ended 31 March 2016 (with restated comparative figures for the years ended 31 March 2014 and 2015); and revised profit and loss accounts of U-Win for the years ended 31 March 2012, 2013, 2014, 2015 and 2016 (collectively referred to as the "**Revised Statutory Financial Statements**"); and

  (b) Our Company engaged an independent tax adviser of international repute (the "**Tax Consultant 2017**") for the purpose of, among others, assisting our Group Companies to submit the Revised Tax Computations and the Revised Statutory Financial Statements to the IRD on a voluntary basis for the years of assessment 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16 (where applicable).

(iv) After the submission of the Revised Tax Computations, the IRD has issued the revised assessments to our Group Companies. For those years of assessment that our Group Companies are required to pay additional tax, our Group has settled all outstanding tax with the IRD accordingly.

(v) Meanwhile, our Company has provided the Revised Statutory Financial Statements and the Revised Tax Computations to the Reporting Accountants. The Reporting Accountants is of the view that:

(a) No material differences in profit and loss were noted between the CUFS and the Revised Statutory Financial Statements;

(b) The net profit for each of the years between the CUFS and the Revised Statutory Financial Statements (adopted for FY2013, FY2014 and FY2015) are almost identical, except that for Geotech Engineering and GeoResources, certain immaterial differences relating to classification within income tax expenses were noted (i.e. the total tax expenses (the sum of current tax expense and deferred tax expense) were the same but with different amounts of current tax expense and deferred tax expense);

(c) The insignificant similar tax differences between the CUFS and the Revised Statutory Financial Statements has been known by the Reporting Accountants even when comparing CUFS and the Original Statutory Financial Statements before 30 June 2016; and

(d) Given that the tax differences have been known and are insignificant to our Group's net profit, net assets and total assets for the respective years, the Reporting Accountants take the views that changes to the CUFS, the combined financial statements of our Group and the Accountants' Report for the Track Record Period in Appendix I to this document are not necessary.

For FY2014, FY2015 and FY2016, our Group is able to meet the profit requirement under Rule 8.05(1)(a) of the Listing Rules based on the Revised Statutory Financial Statements.

Views of the Directors and the Sponsor

Our Directors submit, and the Sponsor concurs, that the Tax Incident would not materially affect the suitability of our Directors to act as directors of our Company under Rules 3.08 and 3.09 of the Listing Rules nor will it affect the suitability of our Company's listing under Rule 8.04 of the Listing Rules on the following grounds:

(i) Based on the analysis set out in paragraph (v) above, the Tax Incident did not cause the financial information disclosed in this document to be inaccurate or misleading in a material respect. This is because no amendments were made in the Accountants' Report and only our Company's Original Statutory Financial Statements was adjusted to confirm the Accountants' Report which was audited by the Reporting Accountants.

(ii) The Tax Incident principally resulted from a lack of effective communications between our Group's project team and finance team as opposed to a deliberate and intentional misconduct, fraud, dishonest or corruptive act on the part of the Directors. Furthermore, our Directors have proactively initiated the adoption of the rectification and preventative measures based on the issues identified and since then used their best endeavours to improve the internal communications between the project team and finance team of our Group by adopting the enhanced internal control measures set out in paragraph (v) below and the recommendations of other professional advisers.

(iii) Our Group Companies have voluntarily made full disclosure to the IRD on the Tax Incident as set out in paragraph (iii)(b) under the paragraphs headed "Revised – Statutory financial statements" in this sub-section.

(iv) The revised tax assessments issued by the IRD proved that the views on the advanced draft tax opinions of Global Vision CPA Limited, and advanced draft opinion provided by Tax Consultant 2017 and the Legal Counsel's endorsement that the likelihood of being imposed with the maximum penalty by the IRD was remote having considered that our Group Companies have reasonable excuses for the errors in the original tax returns which were subsequently amended to align with the Revised Statutory Financial Statements.

(v) Our Group has implemented the following enhanced internal control measures to prevent the recurrence of similar tax incident:

(a) Our Group has adopted written policies detailing the relevant accounting standards and procedures in respect of the recognition of contract revenue from construction contracts. Since April 2017, our Group has held monthly meeting with the project managers to understand the stage of completion of each project for appropriate recognition of revenue and costs. The head of our Group's project team and finance team shall meet monthly to update the budgeted costs and revenue on a timely basis.

(b) Our Group's New FC oversees the accounting department and monitor financial reporting procedures to ensure the adoption of proper accounting policies. The New FC reviews the monthly management accounts prepared by the accounting team and be involved in preparation of financial statements of our Group to ensure that they are prepared in accordance with the HKFRS, which are then reviewed and approved by the Board. Our Group continuously reviews and monitors the updates on the accounting standards and tax requirements from time to time in order to adopt the best practice in accounting.

(c) When necessary, our Company arranges its accounting staff to attend training courses regarding taxation and accounting practice in Hong Kong organised by accounting professional to enhance their accounting knowledge and to ensure compliance with the accounting standards. In April 2016, our Group's accounting staff has attended the training in relation to the revenue recognition approach in accordance with HKAS 11, organised by certified accounting firms.

(d) Our Group engaged advisory firm and Tax Consultant 2017 to seek professional advice in relation to the Tax Incident in the Original Statutory Financial Statements and tax position of our Group Companies for the respective financial years.

(e) Our Group has been engaging a tax representative to prepare the filing of tax return to the IRD annually.

(f) The New FC is responsible for reviewing the tax returns filed with the IRD, and if necessary, tax adviser would be consulted to ensure tax related laws and requirements are complied with.

The internal control adviser of our Company has further reviewed the above internal control policy and confirmed that no material internal control deficiency has been identified and is satisfied that the above internal control measures are adequate and effective to ensure ongoing compliance with the relevant financial reporting standards, the IRO and other relevant rules and regulations.

In view of the above, our Directors are of the view, and the Sponsor concurs with their view, that the Tax Incident will not affect the suitability of our Directors to act as directors of our Company under Rules 3.08 and 3.09 of the Listing Rules nor will it affect our Company's suitability of listing under Rule 8.04 of the Listing Rules.

Save as disclosed above, we have paid all relevant taxes in accordance with tax regulations and have not had any disputes or unresolved tax issues with the relevant tax authorities.

INDEBTEDNESS

The following table sets out the amounts of indebtedness as at 31 December 2014, 2015 and 2016, 30 April 2017 and 31 May 2017, being the latest practicable date for determining our Group's indebtedness:

	As at 31 December			As at 30 April	As at 31 May
	2014	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Current liabilities					
Amounts due to Directors	15,318	16,594	5	2	–
Amounts due to related companies	2,214	–	–	–	–
Obligation under finance leases	2,823	1,134	–	–	–
Borrowings, secured	2,633	4,570	16,667	14,444	13,889
Non-current liabilities					
Obligation under finance leases	1,132	155	–	–	–
	24,120	22,453	16,672	14,446	13,889

Amounts due to a Director and related companies

The following table sets out our amounts due to Directors and related companies as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 May
	2014	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to Directors	15,318	16,594	5	2	–
Amounts due to related companies	2,214	–	–	–	–

During the Track Record Period, amounts due to related companies and amounts due to Directors mainly represented short term advances for working capital of our Group, and were unsecured, interest-free and repayable on demand. All amounts due to Directors and related companies will be settled before the Listing.

Obligation under finance leases

During the Track Record Period, our Group purchased certain motor vehicles, from suppliers by way of finance leases, sold them to bankers or financial institutions (the lessors) and they leased back those motor vehicles to our Group at stipulated monthly rents in a fixed term. The following table sets out a breakdown of our obligation under finance lease as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 May
	2014	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of minimum lease payment:					
Within one year	2,823	1,134	–	–	–
After one year but within two years	977	155	–	–	–
After two years but within three years	155	–	–	–	–
	3,955	1,289	–	–	–
Less: Portion due within one year Included under current liabilities	(2,823)	(1,134)	–	–	–
Portion due after one year included under non-current liabilities	1,132	155	–	–	–

The lease terms are for two to three years and the leases are repayable in fixed monthly instalments. None of the leases including contingent rentals. The effective interest rate on our finance leases was 3.23% to 4.76%, 3.23% to 4.76% and 3.24% to 4.76% for FY2014, FY2015 and FY2016 respectively. There were no finance leases for 4M2017. The above finance leases has been fully repaid in FY2016.

Bank borrowings

During the Track Record Period, our Group's bank borrowings included bank loans and bank overdrafts. Our bank borrowings were mainly to finance the working capital of our Group. All our bank borrowings were denominated in Hong Kong dollar and were arranged at floating rates. The following table sets out a breakdown of our bank borrowings by loan type as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 May
	2014	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	1,373	3,710	–	–	–
Bank loans repayable within one year or on demand	1,260	860	16,667	14,444	13,889
	2,633	4,570	16,667	14,444	13,889

Bank overdrafts

As at 31 December 2014, 2015, 2016, 30 April 2017 and 31 May 2017, our Group had bank overdrafts of approximately HK$1.4 million, HK$3.7 million, nil, nil and nil respectively, which were primarily utilised for short term working capital purposes. As at 31 December 2016, 30 April 2017 and 31 May 2017, no banking facilities for overdrafts were utilised by our Group.

The interest rates of our bank overdrafts as at 31 December 2014, 2015, 2016, 30 April 2017 and 31 May 2017 were at 5.75%-6.00%, 5.75%-6.25%, nil, nil and nil per annum respectively.

At as 31 December 2014, 2015, 2016, 30 April 2017 and 31 May 2017, our Group's banking facilities for overdrafts to the extent of HK$5,500,000 granted to our Group were secured by:

(1) Bank deposit of not less than HK$1,000,000 made by Mr. Yau and Mr. Cheung;
(2) Guarantee of HK$1,500,000 given by Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang;
(3) Charge on a property owned by a related company in which Mr. Cheung has beneficial interests; and
(4) Unlimited guarantee from Mr. Yau and Mr. Cheung.

Bank loans

As at 31 December 2014, 2015, 2016, 30 April 2017 and 31 May 2017, our Group had bank loans of approximately HK$1.3 million, HK$0.9 million, HK$16.7 million, HK$14.4 million and HK$13.9 million respectively, which were primarily utilised for working capital purposes. Our bank loan as at 31 December 2014, 2015, 2016, 30 April 2017 and 31 May 2017 were interest-bearing at 5.00%, 5.00%, 2.68%, 2.40% and 2.36% per annum respectively.

At as 31 December 2014 and 2015, the bank loan to the extent of approximately HK$2.0 million granted to our Group under the SME Loan Guarantee Scheme – For Working Capital Loans sponsored by the Government of the HKSAR were secured by guarantee of approximately HK$2.0 million given by Mr. Yau and guarantee of approximately HK$1.0 million given by the Government of the HKSAR. The facilities were utilised to the extent of approximately HK$1.3 million and HK$0.9 million as at 31 December 2014 and 2015 respectively. The above bank loan has been fully repaid in June 2016.

As at 31 December 2016, the bank loan to the extent of approximately HK$16.7 million granted to our Group was secured by:

(1) Bank deposit made by Mr. Yau and Mr. Cheung;
(2) Charge on a property owned by a related company in which Mr. Yau and Mr. Cheung have beneficial interests; and
(3) Unlimited guarantee from Mr. Yau and Mr. Cheung.

As at 30 April 2017 and 31 May 2017, the bank loan to the extent of approximately HK$14.4 million and HK$13.9 million granted to our Group was secured by:

(1) Bank deposit made by Mr. Yau and Mr. Cheung;
(2) Charge on a property owned by a related company in which Mr. Yau and Mr. Cheung have beneficial interests;
(3) Unlimited guarantee from Mr. Yau and Mr. Cheung; and
(4) Our Group's available-for-sale financial assets.

Save for the above, as at 31 December 2014, 2015, 2016, 30 April 2017 and 31 May 2017, our Group has unused banking facilities of approximately HK$33.0 million, HK$33.0 million, HK$33.5 million, HK$33.5 million and HK$33.5 million respectively. The unused banking facilities were secured by (i) properties owned by related companies in which Mr. Yau and Mr. Cheung have beneficial interests; (ii) Mr. Yau and his spouse; (iii) bank deposits made by a related company in which Mr. Yau and Mr. Cheung have beneficial interests, (iv) Mr. Yau and Mr. Cheung; (v) our Group's available-for-sale financial assets; and (vi) unlimited guarantee supported by the life insurance plans of Mr. Yau and Mr. Cheung. Unused banking facilities of approximately HK$5.0 million has been released in June 2016.

All securities and guarantees provided by Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang and their associates in respect of all bank facilities for overdrafts and loans will be released upon Listing.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015, 2016, 30 April 2017 and 31 May 2017, being the latest practicable date for determining our Group's indebtedness, we have been involved in a number of claims and potential claims regarding employees' compensation and common law personal injury as disclosed in the paragraph headed "Business – Litigation and potential claims" in this document. Our Directors are of the opinion that the claims and potential claims are not expected to have a material impact on our financial performance, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to our financial information during the Track Record Period.

As at 31 December 2014, 2015, 2016 and 30 April 2017, save and except disclosed in this document and above, we did not have any material contingent liabilities respectively.

As at 31 May 2017, being the latest practicable date for the purpose of the indebtedness statement of our Group prior to the date of this document, save and except disclosed in this document and above, we did not have any material contingent liabilities.

Save as above or as otherwise disclosed herein, we did not have any other outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 May 2017, being the latest practicable date for determining our Group's indebtedness.

Our Directors confirm that (i) there has not been any material adverse change in our Group's indebtedness, capital commitments and contingent liabilities since 31 May 2017, being the latest practicable date for determining our Group's indebtedness; (ii) the bank loans and bank facilities are subject to the standard banking conditions and covenants; (iii) our Group has complied with all of the covenants under our bank borrowings during the Track Record Period; (iv) our Group has not received any notice from the bank indicating that it might withdraw or downsize the bank loans and bank facilities; and (v) our Group does not have any material external debt financing plans as at the latest practicable date for determining our Group's indebtedness.

WORKING CAPITAL STATEMENT

Our Directors are of the opinion, and the Sole Sponsor concur, that, taking into consideration our internal resources, our Group's cash and bank balances, our cash generated from our operations, available banking facilities, and the estimated net proceeds from the [REDACTED], we have sufficient working capital for our present requirements for at least 12 months from the date of this document.

Our Directors confirm that there had not been any material defaults in payment of trade and other payables and bank borrowings or any material covenants relating to our Group's bank borrowings during the Track Record Period.

KEY FINANCIAL RATIOS

	As at/For the year ended 31 December			As at/For the four months ended 30 April
	2014	**2015**	**2016**	**2017**
Gross profit margin *(Note 1)*	13.8%	15.4%	14.4%	11.4%
Net profit margin *(Note 2)*	8.5%	9.0%	5.9%	5.5%
Debt to equity ratio *(Note 3)*	N/A	N/A	N/A	N/A
Interest coverage *(Note 4)*	70.4 times	168.0 times	75.0 times	65.4 times
Return on total assets *(Notes 5 and 9)*	19.4%	19.7%	12.1%	15.0%
Return on equity *(Notes 6 and 9)*	44.0%	38.9%	18.3%	22.9%
Current ratio *(Note 7)*	1.6 times	1.9 times	2.9 times	2.8 times
Gearing ratio *(Note 8)*	41.0%	24.7%	15.0%	16.4%

Notes:

1. Gross profit margin is calculated by the gross profit for each reporting period divided by the revenue for each reporting period and multiplied by 100%.

2. Net profit margin is calculated by the profit for each reporting period divided by the revenue for each reporting period and multiplied by 100%.

3. Debt to equity ratio is calculated by the net debt divided by the total equity as at the end of each reporting period and multiplied by 100%. Net debt is calculated as total borrowings less cash and bank balances. Total borrowings included bank borrowings, obligation under finance leases, amount due to a Director and amount due to related companies.

4. Interest coverage is calculated by the profit before interest and tax divided by the summation of interest expenses for each reporting period.

5. Return on total assets is calculated by the profit for each reporting period divided by the total assets as at the end of each reporting period and multiplied by 100%.

6. Return on equity is calculated by the profit for each reporting period divided by the total equity as at the end of each reporting period and multiplied by 100%.

7. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.

8. Gearing ratio is calculated based on the total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings include bank borrowings, amounts due to Directors, amounts due to related companies and obligation under finance leases.

9. Four months data multiplied by three so as to comparable with annual data.

Gross profit margin

Our gross profit margin was approximately 13.8%, 15.4%, 14.4% and 11.4% for FY2014, FY2015, FY2016 and 4M2017 respectively. Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the analysis of our gross profit margin.

Net profit margin

Our net profit margin was approximately 8.5%, 9.0%, 5.9% and 5.5% for FY2014, FY2015, FY2016 and 4M2017 respectively. Our net profit margin decreased for FY2016 and 4M2017 as compared to that for FY2015, due to (i) a decrease in revenue and annualised revenue for FY2016 and 4M2017 respectively; (ii) a decrease in gross profit margin for FY2016 and 4M2017; and (iii) non-recurring Listing expenses of approximately HK$[REDACTED] million for FY2016 and approximately HK$[REDACTED] million for 4M2017. Our net profit margin remained relatively stable for FY2014 and FY2015.

Further details on our overall financial performance are set out in the paragraph headed "Financial information – Period-to-period comparison of results of operations" in this section.

Debt to equity ratio

Our debt to equity ratio was not applicable as at 31 December 2014, 2015, 2016 and 30 April 2017 due to our cash and bank balances being greater than our total borrowings at each of the reporting dates.

Interest coverage

Our interest coverage was approximately 70.4 times, 168.0 times, 75.0 times and 65.4 times for FY2014, FY2015 and FY2016 and 4M2017 respectively. Our interest coverage increased over the Track Record Period mainly because our operating profit increased significantly as a result of the continuing business growth leading to the increase in our revenue.

Return on total assets

Our return on total assets was approximately 19.4%, 19.7%, 12.1% and 15.0% for FY2014, FY2015, FY2016 and 4M2017 respectively. Our return on total assets generally remained stable with a slight increase from approximately 19.4% for FY2014 to approximately 19.7% for FY2015. Our return on total assets decreased from approximately 19.7% for FY2015 to approximately 12.1% for FY2016 due to the decrease in net profit and increased to approximately 15.0% for 4M2017 due to the increase in net profit.

Return on equity

Our return on equity was approximately 44.0%, 38.9%, 18.3% and 22.9% for FY2014, FY2015, FY2016 and 4M2017 respectively. Our return on equity increased for 4M2017 as compared to that for FY2016, mainly due to the annualised revenue for 4M2017 was similar to that of FY2016 while the total equity dropped due to the decrease in current assets, which mainly resulted from the decrease in bank and cash balances. Our return on equity decreased for FY2016 as compared to that for FY2015, due to a decrease in net profit for FY2016 as a result of (i) a decrease in revenue; and (ii) non-recurring Listing expenses of approximately HK$[REDACTED] million incurred for FY2016. Our return on equity decreased for FY2015 as compared to that for FY2014 mainly due to the fact our net profit did not increase as much as our total equity in terms of amount and percentage. Our total equity increased from approximately HK$58.9 million as at 31 December 2014 to approximately HK$91.1 million as at 31 December 2015 as a result of the significant increase in our net profit recognised from approximately HK$25.9 million for FY2014 to approximately HK$35.4 million for FY2015.

Current ratio

Our current ratio remained relatively stable and was approximately 1.6 times and 1.9 times as at 31 December 2014 and 2015 respectively. Our current ratio increased to approximately 2.9 times as at 31 December 2016 and remained stable at approximately 2.8 times as at 30 April 2017. Such increase was mainly due to the decrease in trade and other payables from approximately HK$46.7 million as at 31 December 2015 to approximately HK$37.8 million as at 31 December 2016, resulted from the decrease in the trade payables of approximately HK$12.1 million during FY2016 when comparing to that for FY2015.

Gearing ratio

Our gearing ratio was approximately 41.0%, 24.7%, 15.0% and 16.4% as at 31 December 2014, 2015, 2016 and 30 April 2017 respectively. The decrease in gearing ratio as at 31 December 2015 as compared to that for 31 December 2014 was mainly due to the notable increase in our total equity, resulting from the increase in our net profit from approximately HK$25.9 million for FY2014 to approximately HK$35.4 million for FY2015. The decrease in our gearing ratio as at 31 December 2016 as compared to that for 31 December 2015 was mainly due to the decrease in the total borrowing of approximately HK$5.8 million as at 31 December 2016 when comparing to that as at 31 December 2015. In addition, the slight increase in our gearing ratio from approximately 15.0% as at 31 December 2016 to approximately 16.4% as at 30 April 2017 was mainly due to the decrease in our total equity, resulting from the distribution of interim dividend of approximately HK$30.0 million during 4M2017.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprise purchase of motor vehicles. Our capital expenditure was funded by internal resources and finance leases during the Track Record Period. The following table sets forth our Group's capital expenditure during the Track Record Period:

	Year ended 31 December			Four months ended 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	12,157	1,524	609	1,034

According to the future plans of our Group, the expected capital expenditure to be financed by the net proceeds is approximately HK$[REDACTED] million, of which approximately HK$[REDACTED] million and HK$[REDACTED] million are expected to be incurred for the years ending 31 December 2018 and 2019 respectively. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this document.

CONTRACTUAL COMMITMENTS

Our Group as lessee

At the end of each of the Track Record Period, our Group had total future minimum lease payment under a non-cancellable operating lease payable as follows:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,181	1,737	1,161	553
In the second to fifth years inclusive	1,082	854	–	–
	2,263	2,591	1,161	553

Operating lease payments mainly represent rentals payable by our Group for our offices, project offices and parking spaces. The leases typically run for an initial period of one year. The leases do not include contingent rentals.

OFF-BALANCE SHEET COMMITMENTS ARRANGEMENTS

Except for the contractual commitment set forth above, we did not have any off-balance sheet arrangements or commitments as at the Latest Practicable Date.

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have 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.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 27 to the Accountants' Report set out in Appendix I to this document. During the Track Record Period, the details of related parties transactions mainly include the following:

		Year ended 31 December			Four months ended 30 April	
Name of related party	**Nature**	**2014**	**2015**	**2016**	**2016**	**2017**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Devoni Gi Limited	Subcontracting charges paid	9,937	8,135	–	–	–
Kwan Fai Construction Limited	Subcontracting and materials charges paid	1,185	179	–	–	–
Shun Hip	Subcontracting charges paid	24,152	26,611	–	–	–
TK & Y Investment Company Ltd	Rental fee paid	240	240	–	–	–
Greenland Resources Limited	Subcontracting and materials charges paid	1,793	3,023	–	–	–
Geoscape & Environmental Limited	Subcontracting and materials charges paid	750	552	–	–	–
Wah On Garden Langscaping Limited	Subcontracting and materials charges paid, and lab test fee paid	3,722	3,206	–	–	–
Independent Testing Limited	Materials charges paid	46	99	–	–	–
U-Win C&E	Subcontracting charges paid	46,643	62,688	–	–	–
Allbest Business Limited	Subcontracting charges paid	–	2,750	–	–	–
Kinli Civil Engineering Limited	Subcontracting charges paid	–	2,728	–	–	–

During the Track Record Period, the transactions with the related parties mainly represented the subcontracting, materials charges, rental fees and lab test fees paid to them. Each of those aforementioned companies either (i) was conducting business which may be in competition with our businesses, and have been ceased to be our related companies as a result of the Disposal of those related companies to independent third parties as at the Latest Practicable Date; or (ii) is an investment holding or not in competition with our business that its related parties transaction during the Track Record Period was mainly rental fees and property management fee which has ceased any transactions with our Group after the Track

Record Period. For details of the above related companies and the Disposal, please refer to the section headed "Relationship with the Controlling Shareholders – Excluded Business" in this document.

It is the view of our Directors that each of such related party transactions were conducted in our ordinary and usual course of business and on normal commercial terms between the related parties and us or on terms no less favourable than terms available from independent third parties, and were fair and reasonable and in the interest of our Group and our Shareholders as a whole and would not distort our results during the Track Record Period.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our capital management objectives are to ensure our ability to continue as a going concern and to provide an adequate return to shareholders by pricing our services commensurately with the level of risk.

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the gearing ratio.

Financial risk management

Our Group is exposed to credit risk, liquidity risk and interest rate risk in the normal course of business. Further details on our financial risk management policies and practices are set out in the paragraph headed "Notes to the financial information – Financial risk management and fair value measurement" in Appendix I to this document.

LISTING EXPENSES

Assuming the [REDACTED] is not exercised, our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$[REDACTED] million based on an [REDACTED] of HK$[REDACTED] (being the mid-point of the [REDACTED] range stated in this document) of which:

(i) approximately HK$[REDACTED] million will be borne by the Selling Shareholder in connection with the Sale Shares setting off against Listing expenses of our Company;

(ii) approximately HK$[REDACTED] million will be accounted for as a deduction from equity upon Listing in connection with the issue of [REDACTED]; and

(iii) approximately HK$[REDACTED] million has been/will be charged to our profit or loss comprises (a) approximately HK$[REDACTED] million for FY2015; (b) approximately HK$[REDACTED] million for FY2016; (c) approximately HK$[REDACTED] million for 4M2017; and (d) the remaining amount (approximately HK$[REDACTED] million) of the Listing expenses will be charged to the profit or loss for the remaining months of 2017.

Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for the year ending 31 December 2017 will be affected by the estimated expenses in relation to the Listing.

DIVIDENDS

For FY2014, FY2015, FY2016 and 4M2017, we declared dividends of HK$2.5 million, HK$3.2 million, nil and HK$30.0 million respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources. Save and except for the declaration of the above dividends, as at the Latest Practicable Date, we had no intention to pay dividends prior to the Listing.

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will consider from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors our Board may deem relevant.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law and our Articles. The amount of any dividends to be declared and paid in the future will depend on, among other things, our dividend policy, results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. Our Board will consider the relevant factors when determining the dividends to be declared if any. 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 our Board or at all. The 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 our Board in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 6 June 2016. As at 30 April 2017, our Company had no distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

Please see the section headed "Unaudited pro forma financial information" in Appendix II to this document for details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS

We have continued to focus on strengthening our market position and business operations in the slope works industry in Hong Kong. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has secured two public slope works projects (with total contract sum of over HK$10.0 million) with an aggregate total contract sum of approximately HK$111.7 million and such projects are expected to be completed by 2020. As at 31 May 2017, our Group's total outstanding contract sum on hand is expected in total of approximately HK$340.6 million, of which the respective revenue to be recognised for the years ending 31 December 2017, 2018, 2019 and 2020 is expected to be approximately HK$170.0 million, HK$118.3 million, HK$46.7 million and HK$5.6 million respectively.

Our Group's unaudited financial information for the one month ended 31 May 2016 and 2017 prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" was reviewed by our Reporting Accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

According to the unaudited financial information of our Group, our unaudited revenue amounted to approximately HK$25.6 million for the one month ended 31 May 2017, representing a decrease of approximately 16.6% compared to approximately HK$30.7 million for the average monthly revenue for 4M2017, which was mainly due to the absence of revenue from certain completed projects. Our Group's gross profit margin increased from approximately 11.4% for 4M2017 to approximately 15.0% for the one month ended 31 May 2017, which was mainly contributed by the fact that a substantial part of our projects was subcontracted during 4M2017.

Subsequent to the Track Record Period and up to the date of this document, save for expenses incurred in relation to the Listing as disclosed in the paragraph headed "Financial information – Listing expenses" in this document, we did not have any significant non-recurrent items in our combined statement of profit or loss and other comprehensive income. Our Directors expect that our Group's financial performance for the year ending 31 December 2017 will be materially and adversely affected by the Listing expenses that our Group is expected to record a decrease in profit for the year ending 31 December 2017.

NO MATERIAL ADVERSE CHANGE

Save for (i) the possible impacts of claims and potential claims as disclosed in the paragraph headed "Business – Litigation and potential claims" in this document; and (ii) the Listing expenses to be recognised for the year ending 31 December 2017, our Directors confirm that (a) there has been no material adverse change in the general economic and market condition, legal, industry and operating environment in which our Group operates that materially and adversely affected our Group's financial or operating position or prospects since 30 April 2017, being the date to which the latest financial information of our Group was made up and recorded in the Accountants' Report as set out in Appendix I to this document, and up to the date of this document; and (b) no event has occurred since 30 April 2017 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this document.

FUTURE PLANS

Please refer to the section "Business – Business strategies" for detailed description of our future plans.

USE OF PROCEEDS

The table below sets out the estimated net proceeds of the [REDACTED] which we will secure after deducting related underwriting fees and estimated expenses in connection with the [REDACTED]:

	Assuming the [REDACTED] is not exercised	**Assuming the [REDACTED] is fully exercised**
If in low-point of the indicative [REDACTED] of HK$[REDACTED]	HK$[REDACTED] million	HK$[REDACTED] million
If in mid-point of the indicative [REDACTED] of HK$[REDACTED]	HK$[REDACTED] million	HK$[REDACTED] million
If in high-point of the indicative [REDACTED] of HK$[REDACTED]	HK$[REDACTED] million	HK$[REDACTED] million

We estimate that the aggregate net proceeds to us from the [REDACTED] assuming the [REDACTED] is not exercised, after deducting related underwriting fees and estimated expenses in connection with the Listing, assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]), will be approximately HK$[REDACTED] million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK$[REDACTED] million or approximately [REDACTED]% of the net proceeds will be used for financing various working capital requirements associated with undertaking more new tender contracts in both public and private sectors that we plan to tender by 31 December 2018. This pool of working capital will be used for (i) fulfilling the minimum levels of working capital requirements for tendering Government contracts; (ii) financing the tender contract's requirements to take out surety bonds to be issued by banks or insurances in the amount of certain percentage of the contract sum in favour of the potential customers; and (iii) the statutory capital requirements in relation to our retention on the List of Approved Specialist Contractors for Public Works. Details of which are set out in the paragraphs headed "Business – Business strategies" and "Regulatory overview – Contractor licensing regime and operation – Contractor licensing regime – "Landslip preventive/remedial works to slopes/retaining walls" category" in this document;

- approximately HK$[REDACTED] million or approximately [REDACTED]% of the net proceeds will be used to finance the site facilities and equipment prior to the commencement of works for the additional new tender contracts to be engaged

in relation to our expansion of which (i) approximately HK$[REDACTED] million will be allocated to purchase a 30-ton crane lorry for replacement that is necessary for our slope works projects; (ii) approximately HK$[REDACTED] million will be allocated for financing the site facilities required for about five additional projects that we plan to tender by 31 December 2018, including setting up of the site offices and contract equipment of approximately HK$[REDACTED] million in total and purchasing 15 contract cars of approximately HK$[REDACTED] million in total; and (iii) approximately HK$[REDACTED] million will be allocated for purchase additional set of surveying equipment and two sets of ground investigation machinery required for undertaking additional projects that we aim to secure by 31 December 2018;

- approximately HK$[REDACTED] million or approximately [REDACTED]% of the net proceeds will be allocated for the recruitment of (i) 1 project manager and 2 site agents to enhance our project management capability; (ii) 16 site staff (including 2 foreman, 1 surveyor, 1 ground investigation technician, 2 engineers, 1 chainman, 2 labour officers, 1 safety officer, 1 safety supervisor, 2 contract drivers, 1 technical apprentice and 2 site clerks) to strengthen our site workforce; and (iii) 3 office staff (including 1 internal control officer, 1 accountant and 1 information technology officer) to cater for new projects we plan to tender by 31 December 2019. Our Directors expect that the additional headcounts will further strengthen our workforce (both office and site level) and also will fulfill the manpower resources required for the additional projects, given it is expected that the subcontracting services to be engaged for the additional projects will be of a level comparable in the past. Apart from our own headcounts, as a main contractor, we will continue to identify and collaborate with new subcontractors on our approved list which meet our selection criteria to cope with our business growth; and

The above allocation of the proceeds will be adjusted on a *pro rata* basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range stated in this document.

Assuming the [REDACTED] is not exercised, if the [REDACTED] is fixed at the high-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net proceeds we receive from the [REDACTED] will increase by approximately HK$[REDACTED] million. If the [REDACTED] is set at the low-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net proceeds we receive from the [REDACTED] will decrease by approximately HK$[REDACTED] million. In such events, we intend to increase or decrease respectively, the net proceeds to be used for the above purposes on a *pro rata* basis.

If the [REDACTED] is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a *pro rata* basis. For details of the [REDACTED], please refer to the paragraph headed "Structure and conditions of the [REDACTED] – [REDACTED]" in this document.

To the extent that the net proceeds are not immediately applied to the above purposes due to any factors, and to the extent permitted by applicable laws and regulations, we will carefully evaluate the situations and it is our present intention to deposit the net proceeds

into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong until similar projects of approximately similar contract value are secured by us.

We will issue an announcement in the event that there is any material change in the use of proceeds of the [REDACTED] as described above.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the [REDACTED], which is estimated to be approximately HK$[REDACTED] million after deducting the estimated underwriting commissions and expenses payable by it and assuming an [REDACTED] of HK$[REDACTED] (being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]).

Our Directors believe that our Group's implementation plan and our expansion scale in machinery and equipment is of a level comparable to its historical business strategy for the following reasons:

- Our Company plans to utilise approximately HK$[REDACTED] million from the net proceeds to purchase 15 contract cars in preparation of tender for five additional slope works contracts for the years ending 31 December 2017 and 2018. In a slope works project, our Group is typically required to provide contract cars for use by the customers' engineer and the age of such contract cars must not exceed two years old as expressly set out in the contract specifications of a slope works contract. As most of the existing contract cars were already put to use for more than two years by the time a slope works contract is completed, they cannot be rotated to use for new projects. Besides, as regards the quantity of contract cars to be purchased, a total of 15 contract cars will be reserved for four public sector projects to be tendered. The number of contract cars needed for each project is consistent with our Group's past practice with those Government departments or statutory bodies.

- Our Company plans to utilise approximately HK$[REDACTED] million from the net proceeds to set up site offices and contract equipment. In a typical slope works project, as set out in the contract specifications of a slope works contract, our Group as a main contractor is required to provide a site office which needs to be newly erected on the works site in accordance with the contract specifications and requirements of the customers. Also, the site office is provided with equipment (including photocopying equipment, facsimile equipment, pagers and 3G mobile telephone which are required to be in "perfect working order" according to the contract), fittings, utilities, furnishings and other contract preliminaries items (which need to be new as set out in the contract specifications). Site offices previously erected for completed projects have to be demolished for subsequent site reinstatement upon completion of the project and therefore cannot be rotated to new projects. In view of the aforesaid contract specifications relating to the contract equipment, our Group is expected to purchase new equipment to strictly comply with such contract specifications. Our Company estimated that the total amount of setting up the site office together with the contract equipment will amount to approximately HK$[REDACTED]

million to HK$[REDACTED] million for each project and the total estimated expenditures will amount to approximately HK$[REDACTED] million for the five additional slope works project to be tendered for the years ending 31 December 2017 and 2018. The amount of expenses for setting up site offices for each project is consistent with our Group's past practice with those Government departments or statutory bodies.

- Our Company plans to utilise approximately HK$[REDACTED] million from the net proceeds to purchase a 30-ton crane lorry to replace its existing crane lorry which was purchased since 1997 in view of its deteriorating operating condition. The new crane lorry is expected to be more environmentally friendly with better operating efficiency as compared to the aged one. Such machinery upgrade is also consistent with our customers' environmental requirements set out in the contract. Our Company plans to utilise approximately HK$[REDACTED] million from the net proceeds to purchase survey equipment and ground investigation machinery simply to fulfill our Group's operational needs to have sufficient number of machinery and equipment that are readily available for execution of additional projects.

- Furthermore, our Directors consider that our Group's financial resources as at 30 April 2017 will only be sufficient to support our Group's existing operation and business scale, including the expenditures prior to the commencement of works, such as insurances, contract cars, setting up site office and facilities. In order to undertake more projects, the Directors consider that it necessary to raise funds through the [REDACTED] to finance the site facilities and equipment prior to the commencement of works for the additional new tender contracts to be undertaken for purpose of our Group's expansion.

Our Directors further believe that it is in the interests of our Group to recruit additional staff for the following reasons:

- although our Group, as a main contractor, mostly outsources the slope works to subcontractors, our Company considers that it is of utmost importance to recruit sufficient project supervision staff (such as project manager, site agents and foreman) to supervise and manage the work quality of subcontractors;

- our Group is also required to recruit sufficient number of support site staff (such as surveyor, engineer, ground investigation officer, labour officer, safety officer and supervisor, etc.) to support its project supervision team to monitor the quality of the site works of the subcontractors;

- in tendering for new projects, availability of manpower resources are among the key assessment criteria. To increase our Group's tender success rate for new projects it is necessary for our Group to enhance its competitiveness by having a stronger workforce;

- furthermore, our Company considers it necessary to expand its office staff (including accountant, internal control officer and information technology officer) to support our Group's internal control functions and corporate governance

requirements after the Listing. As such, the Directors consider that the expansion of the Group's workforce as mentioned above is consistent with its historical recruitment policy whilst strengthening its workforce in preparation for the Listing.

REASONS FOR LISTING

Given our history, experiences and specialisation in slope works in Hong Kong, we have built up a leading market position and good reputation for delivering projects on time and in high quality. Our Directors believe that the Listing of our Company is the key strategy for us to maintain and enhance our level of competitiveness in the industry in the following manner:

(i) The Listing will enhance our corporate profile and our credibility with our business stakeholders, comprising customers, contractors, developers, Government authorities and investors to gain additional reassurance and to provide them a transparent means to compare our Group with other competitors. Considering our major competitors in slope works industry in Hong Kong are either listed on the Stock Exchange, state-owned enterprises or international contractors in civil engineering industry, it is expected that both public and private customers would tend to prefer their contractors who have a public listing status with good reputation, transparent financial disclosures and general regulatory supervision by relevant regulatory bodies.

(ii) The Listing will allow our Company to gain access to capital market and further opportunities to finance our plans for growth and expansion through equity fund raising both at the time of Listing and in the future.

(iii) Our Directors consider that net proceeds from the [REDACTED] are crucial for financing our Group's business strategies. Details of our business objectives, strategies and implementation plan are set out above in this section and in the section headed "Business – Business strategies" in this document.

(iv) The Listing may offer our Company a broader shareholder base which will provide liquidity in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

Our principal business objective is to further solidify our market position as the market leader in the slope works industry in Hong Kong mainly by undertaking more projects and project with larger contract sum. Therefore, maintaining a high level of working capital is a prerequisite for undertaking more Government contracts.

Given that our Group (i) generated net cash from its operating activities during the Track Record Period; (ii) recorded the cash and cash equivalents of approximately HK$36.2 million as at 30 April 2017; and (iii) had unutilised banking facilities of HK$33.5 million as at 30 April 2017, our Directors consider that our Group's financial resources as at 30 April 2017 will only be sufficient to support our Group's existing operation and business scale, taking into consideration our expected cash outflow in the near future for our trade and other payables as at 30 April 2017 of approximately HK$30.0 million to be settled within 60

days. During the Track Record Period, we have maintained the minimum level of working capital for undertaking Government contracts and/ or rectified the shortfall by way of shareholders' loan the existing unutilised banking facilities (with personal guarantee from our Shareholders).

In view of the above, although our Group has a sufficient financial resources to meet the working capital requirements during the Track Record Period, our Directors consider that the Listing would be in the best interest of our Group and the net proceeds from the [REDACTED] are required and necessary to finance the implementation plan as well as the future growth and expansion of our Group. Please refer to the section headed "Business – Business strategies" in this document for further details.

[REDACTED] UNDERWRITERS

[●]

UNDERWRITING ARRANGEMENTS AND EXPENSES

The [REDACTED]

[REDACTED] Underwriting Agreement

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The [REDACTED]

[REDACTED] Underwriting Agreement

[REDACTED]

Commission and expenses

[REDACTED]

[REDACTED]

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

The following is the text of a report received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this document.

[REDACTED]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GEOTECH HOLDINGS LTD. AND RHB CAPITAL HONG KONG LIMITED

Introduction

We report on the historical financial information of Geotech Holdings Ltd. (the "Company") and its subsidiaries (together, 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 December 2014, 2015, 2016 and 30 April 2017, the statements of financial position of the Company as at 31 December 2016 and 30 April 2017, 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, for each of the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2017 (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 document of the Company dated [●] (the "Document") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and basis of preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, respectively, and for such internal control as the Directors 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' Report on Historical Financial Information in Investments 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 depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and basis of preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015, 2016 and 30 April 2017, and of the Company's financial position as at 31 December 2016 and 30 April 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and basis of preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, respectively.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises 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 for the four months ended 30 April 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The Directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and basis of preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and basis of preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited 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 10 of Section II to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

Chan Tze Kit

Practising Certificate Number: P05707

I. HISTORICAL FINANCIAL INFORMATION

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 audited by Grant Thornton Hong Kong Limited under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

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

Combined statements of profit or loss and other comprehensive income

		Year ended 31 December			Four months ended 30 April	
	Notes	**2014**	**2015**	**2016**	**2016**	**2017**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*5*	305,262	391,427	344,766	118,205	122,846
Direct costs		(263,129)	(331,008)	(295,210)	(94,852)	(108,812)
Gross profit		42,133	60,419	49,556	23,353	14,034
Other income	*6*	1,042	1,260	3,103	641	871
Administrative expenses		(11,705)	(18,503)	(25,796)	(6,108)	(6,075)
Finance costs	*7*	(447)	(257)	(358)	(89)	(135)
Profit before income tax	*8*	31,023	42,919	26,505	17,797	8,695
Income tax expense	*9*	(5,078)	(7,516)	(6,101)	(3,085)	(1,971)
Profit for the year/period		25,945	35,403	20,404	14,712	6,724
Other comprehensive income, net of tax						
Items that may be classified subsequently to profit or loss						
Fair value gain/(loss) on available-for-sale financial assets		7	(43)	(9)	(35)	68
Total comprehensive income for the year/period		25,952	35,360	20,395	14,677	6,792
Earnings per share attributable to equity holders of the Company						
Basic and diluted	*11*	N/A	N/A	N/A	N/A	N/A

Combined statements of financial position

	Notes	At 31 December 2014	2015	2016	At 30 April 2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*13*	14,457	10,013	5,258	4,966
Available-for-sales financial assets	*14*	1,182	1,139	1,130	1,198
Deferred tax assets	*23*	151	383	–	–
		15,790	11,535	6,388	6,164
Current assets					
Trade and other receivables	*15*	50,394	53,598	49,640	45,897
Amounts due from directors	*16*	7,034	6,840	15,272	9,950
Amounts due from related companies	*17*	419	173	267	372
Amounts due from customers on construction contracts	*18*	36,372	61,551	42,402	31,193
Tax recoverable		–	–	1,538	4,616
Cash and bank balances	*19*	23,757	46,018	53,411	36,258
		117,976	168,180	162,530	128,286
Current liabilities					
Trade and other payables	*20*	(37,550)	(46,688)	(37,791)	(29,961)
Borrowings, secured	*21*	(2,633)	(4,570)	(16,667)	(14,444)
Obligation under finance leases	*22*	(2,823)	(1,134)	–	–
Amounts due to customers on construction contracts	*18*	(4,726)	(3,155)	(2,481)	(1,165)
Amounts due to directors	*16*	(15,318)	(16,594)	(5)	(2)
Amounts due to related companies	*17*	(2,214)	–	–	–
Tax payable		(7,393)	(15,564)	–	–
		(72,657)	(87,705)	(56,944)	(45,572)
Net current assets		45,319	80,475	105,586	82,714
Total assets less current liabilities		61,109	92,010	111,974	88,878
Non-current liabilities					
Obligation under finance leases	*22*	(1,132)	(155)	–	–
Deferred tax liabilities	*23*	(1,078)	(796)	(519)	(631)
		(2,210)	(951)	(519)	(631)
Net assets		58,899	91,059	111,455	88,247
Capital and reserves					
Combined capital	*24*	10,010	10,010	10,011	10,011
Reserves		48,889	81,049	101,444	78,236
Equity attributable to equity holders of the Company		58,899	91,059	111,455	88,247

Combined statements of changes in equity

	Combined capital	Available-for-sale financial reserve assets revaluation*	Retained Earnings*	Total
	HK$'000 *(Note 24)*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2014	10,010	54	25,383	35,447
Profit for the year	–	–	25,945	25,945
Other comprehensive income, net of tax:				
Items that may be classified subsequently to profit or loss				
– Fair value gain on available-for-sale financial assets	–	7	–	7
Total comprehensive income for the year	–	7	25,945	25,952
Transactions with owners:				
Interim dividend 2014 *(Note 10)*	–	–	(2,500)	(2,500)
Balance at 31 December 2014 and 1 January 2015	10,010	61	48,828	58,899
Profit for the year	–	–	35,403	35,403
Other comprehensive income, net of tax:				
Items that may be classified subsequently to profit or loss				
– Fair value loss on available-for-sale financial assets	–	(43)	–	(43)
Total comprehensive income for the year	–	(43)	35,403	35,360
Transactions with owners:				
Interim dividend 2015 *(Note 10)*	–	–	(3,200)	(3,200)
Balance at 31 December 2015 and 1 January 2016	10,010	18	81,031	91,059
Profit for the year	–	–	20,404	20,404
Other comprehensive income, net of tax:				
Items that may be classified subsequently to profit or loss				
– Fair value loss on available-for-sale financial assets	–	(9)	–	(9)
Total comprehensive income for the year	–	(9)	20,404	20,395
Transactions with owners:				
Issue of share	1	–	–	1
Balance at 31 December 2016 and 1 January 2017	10,011	9	101,435	111,455

	Combined capital	Available-for-sale financial reserve assets revaluation*	Retained Earnings*	Total
	HK$'000 *(Note 24)*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the period	–	–	6,724	6,724
Other comprehensive income, net of tax:				
Items that may be classified subsequently to profit or loss				
– Fair value loss on available-for-sale financial assets	–	68	–	68
Total comprehensive income for the period	–	68	6,724	6,792
Transactions with owners:				
Interim dividend 2017 *(Note 10)*	–	–	(30,000)	(30,000)
Balance at 30 April 2017	10,011	77	78,159	88,247
Balance at 1 January 2016 (audited)	10,010	18	81,031	91,059
Profit for the period	–	–	14,712	14,712
Other comprehensive income, net of tax:				
Items that may be classified subsequently to profit or loss				
– Fair value loss on available-for-sale financial assets	–	(35)	–	(35)
Total comprehensive income for the period	–	(35)	14,712	14,677
Balance at 30 April 2016 (unaudited)	10,010	(17)	95,743	105,736

* The reserves accounts comprise the Group's reserves of HK$48,889,000, HK$81,049,000, HK$101,444,000 and HK$78,236,000 as at 31 December 2014, 2015, 2016 and 30 April 2017 in the consolidated statement of financial position, respectively.

Statements of financial position of the company

	At 31 December 2016	At 30 April 2017
	HK$'000	*HK$'000*
Current assets		
Amounts due from a director	–	–
Current liabilities		
Amount due to a subsidiary	(10)	(10)
Net current liabilities	(10)	(10)
Net liabilities	(10)	(10)
Capital and reserves		
Share capital	–	–
Reserves *(Note 25)*	(10)	(10)
Total equity	(10)	(10)

Combined statements of cash flows

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating activities					
Profit before tax	31,023	42,919	26,505	17,797	8,695
Adjustments for:					
Depreciation	4,422	4,872	4,365	1,521	1,053
Finance costs	447	257	358	89	135
Loss/(gain) on disposal/written off of property, plant and equipment	392	288	(12)	28	(115)
Operating profit before working capital changes	36,284	48,336	31,216	19,435	9,768
(Increase)/decrease in trade and other receivables	(17,817)	(3,204)	3,958	3,797	3,743
(Increase)/decrease in amounts due from customers on construction contracts	(13,264)	(25,179)	19,149	7,923	11,209
Increase/(decrease) in trade and other payables	9,819	9,138	(8,897)	(14,426)	(7,830)
Increase/(decrease) in amounts due to customers on construction contracts	2,227	(1,571)	(674)	2,431	(1,316)
Cash generated from operations	17,249	27,520	44,752	19,160	15,574
Interest paid	(447)	(257)	(358)	(89)	(135)
Income tax (paid)/refund	(6)	141	(23,097)	–	(4,937)
Net cash generated from operating activities	16,796	27,404	21,297	19,071	10,502
Investing activities					
Purchase of property, plant and equipment	(7,878)	(981)	(609)	(304)	(1,034)
Proceeds from disposal of property, plant and equipment	589	808	1,011	–	388
Government grants received	382	–	–	–	–
Net cash (used in)/generated from investment activities	(6,907)	(173)	402	(304)	(646)

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Financing activities					
Proceeds from new borrowings	6	22	20,000	–	–
Repayment of borrowings	(379)	(400)	(4,193)	(137)	(2,223)
Repayment of finance lease liabilities	(3,308)	(3,231)	(1,289)	(415)	–
Dividend paid	–	(1,200)	–	–	(30,000)
Decrease/(increase) in amount due from/to directors	4,693	(530)	(25,020)	(20,584)	5,319
Decrease/(increase) in amount due from/to related companies	736	(1,968)	(94)	(23)	(105)
Net cash generated from/(used in) financing activities	1,748	(7,307)	(10,596)	(21,159)	(27,009)
Net increase/(decrease) in cash and cash equivalents	11,637	19,924	11,103	(2,392)	(17,153)
Cash and cash equivalents at the beginning of year/period	10,747	22,384	42,308	42,308	53,411
Cash and cash equivalents at end of year/period *(Note 19)*	22,384	42,308	53,411	39,916	36,258

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 6 June 2016. The addresses of the Company's registered office and principal place of business are set out in the section headed "Corporate Information" of the Document.

The Company is an investment holding company. The Group is principally engaged in undertaking slope works in Hong Kong as main contractor.

The Company's immediate and ultimate holding company is Flourish Team Limited, a company incorporated in the British Virgin Islands (the "BVI") and owned as to 49% by Mr. Yau Kin Wing Sino ("Mr. Yau"), 49% by Mr. Cheung Ting Kam ("Mr. Cheung") and 2% by Mr. Kung Ho Man ("Mr. Kung"), Ms. Tang Ka Wa Danise ("Ms. Tang") holds 2% interests in the Company via Double Wink Limited which was incorporated in the BVI. Flourish Team Limited, Double Wink Limited, Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang are referred to as the "Controlling Shareholders". Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang have acted in concert throughout the Track Record Period.

1.2 Reorganisation

Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "History and development" in the Document, which was completed on [●], the Company became the holding company of the companies now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interest in the following subsidiaries:

Name of company	Place of incorporation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Principal activities
Directly held by the Company					
Praise Marble Limited ("Praise Marble") *(Note (a))*	The BVI	12 January 2016	100 ordinary shares	100%	Investment holding
Indirectly held by the Company					
Geotech Engineering Limited ("Geotech Engineering") *(Note (b))*	Hong Kong	19 July 1994	10,000,000 ordinary shares	100%	Undertake slope works as main contractor
GeoResources Limited ("GeoResources") *(Note (c))*	Hong Kong	25 October 2005	10,000 ordinary shares	100%	Undertake design, supply and construction of flexible barrier and the other slope works
Richway Construction Engineering Limited ("Richway") *(Note (d))*	Hong Kong	10 May 2010	1 ordinary share	100%	Undertake slope works mainly in urban area

Name of company	Place of incorporation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Principal activities
Yau Wing Construction & Engineering Limited ("Yau Wing") *(Note (d))*	Hong Kong	21 January 2011	1 ordinary share	100%	Undertake slope works mainly in rural area and open hillsides

(a) No statutory financial statements have been prepared for Praise Marble as it is newly incorporated and not subject to statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation.

(b) The statutory financial statements for the year ended 31 December 2014 was audited by Andrew Tse & Company Certified Public Accountants. The statutory financial statements for the years ended 31 December 2015 and 2016 were audited by Global Vision CPA Limited.

(c) The statutory financial statements for the year ended 31 December 2014 was audited by Francis S.L. Yan & Co., Certified Public Accountants. The financial statements for the year ended 31 December 2014 was qualified due to the fact that the motor vehicles of approximately HK$1,286,391, and related finance lease payable of approximately HK$673,602, are registered in name of Geotech Engineering and an individual. Francis S.L. Yan & Co. Certified Public Accountants concerned about the validity of the declarations of trust signed between GeoResources and Geotech Engineering, and between GeoResources and the individual.

Such qualification have been resolved from this report because for the purpose of this report, the declarations of trust have been inspected and the legal opinion to confirm the validity and enforceability of these declarations of trust have been provided. The motor vehicles and the related finance lease payable have been properly accounted for in this report.

The statutory financial statements for the years ended 31 December 2015 and 2016 were audited by Global Vision CPA Limited.

(d) The statutory financial statements for the years ended 31 March 2014 and 2015 of these companies were audited by C.M. Hui & Co., Certified Public Accountants. The statutory financial statements for the year ended 31 March 2016 of these companies were audited by Global Vision CPA Limited.

(e) Except for Richway and Yau Wing which have adopted 31 March as its financial year-end date since incorporation, all companies comprising the Group have adopted 31 December as their financial year-end date.

During the Track Record Period, certain of the Group's slope works operation were conducted by U-WIN CONST & ENG CO. (the "Sole Proprietorship Business"), which were established in Hong Kong in January 1988 as sole proprietorships by Mr. Yau. Pursuant to and as part of the Reorganisation, as more fully explained in the paragraphs headed "Reorganisation" in the section headed "History and Development" to the Document, all the assets and liabilities of the Sole Proprietorship Business were transferred to Yau Wing at a consideration of HK$4,967,000 on 29 June 2016. For the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies and business now comprising the Group throughout the Track Record Period, accordingly, the operating results of U-Win have been combined in the Group's Historical Financial Information during the Track Record Period. No statutory financial statements have been prepared for the Sole Proprietorship Business since its date of establishment as it is not subject to statutory audit requirements under relevant rules and regulations in Hong Kong.

MGE JV Limited ("MGE JV"), a joint venture of the Group, was incorporated as a company with limited liability in Hong Kong on 10 March 2010 with a share capital of HK$10,000 divided into three shares with nominal value of HK$1.00 each. At incorporation, MGE JV was owned as to approximately 33.33% by Geotech Engineering with investment cost of HK$1 and the remaining interests were owned by two independent third parties in equal shares. Share of results of the joint venture during the Track Record Period and interests in joint venture as at 31 December 2014 and 2015 were HK$nil. MGE JV has been deregistered pursuant to section 751 of the Companies Ordinance with effect from 15 September 2016.

1.3 Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on [●]. The group entities and business (including the Sole Proprietorship Business) were under the control of the Controlling Shareholders throughout the Track Record Period. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies and business now comprising the Group throughout the Track Record Period. The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

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 for the Track Record Period, which include the financial performance, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at 31 December 2014, 2015, 2016 and 30 April 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those respective dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarised below.

The Historical Financial Information has been prepared under the historical cost basis except for financial instruments classified as available-for-sale which is stated at fair value.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

2.2 Basis of consolidation and combination

The Historical Financial Information incorporates the financial information of the Company and all its subsidiaries made up to respective year and period end dates during the Track Record Period.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Plant and machinery	30%
Motor vehicles	30%
Furniture and fixtures	20%
Leasehold improvement	33⅓% to 50%
Computer and software	20 to 30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.4 Financial assets

The Group's accounting policies for financial assets are set out below.

Financial assets are classified into loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– The disappearance of an active market for that financial asset because of financial difficulties; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets carried at fair value

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Available-for-sale financial assets carried at cost

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a

similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2.5 Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest Group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or a combination of assets where the customer is able to specify the major structural elements of the design.

The Group's construction contracts are at fixed prices. The accounting policy for contract revenue is set out in Note 2.12.

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the reporting date are recorded in the combined statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented as "Amounts due from customers on construction contracts" (an asset)

or "Amounts due to customers on construction contracts" (a liability). Progress billings not yet paid by customers are included in the combined statement of financial position under "Trade and other receivables". Amounts received before the related work is performed are recorded under "Trade and other payables".

2.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.8 Financial liabilities

The Group's financial liabilities include obligation under finance leases, borrowings, amounts due to directors, amount due to related companies and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.15).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.9).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables, amounts due to directors and amounts due to related companies

Trade and other payables, amounts due to directors and amounts due to related companies are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.9 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Company acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the combined statement of profit or loss and other comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight–line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.10 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the

occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

2.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Contracting revenue

When the outcome of a construction contract can be estimated reliably revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is generally established according to the progress certificate (by reference to the construction works certified by the customers or their agents) issued by the customer or its agent.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

2.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under "Other income" in the combined statement of profit or loss and other comprehensive income.

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year/period. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.15 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year/period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components for their review of the performance of those components.

2.18 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

  (i) has control or joint control over of the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (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) the entity and the Group 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) and 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 parent of the entity); and

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

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

3. ADOPTION OF NEW AND AMENDED HKFRS

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2014 are consistently applied to the Group for the Track Record Period.

The Group have not early applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRS") that are relevant to the Group which have been issued but are not yet effective:

HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 9	Financial Instruments[1]
HKFRS 16	Leases[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019

The Directors anticipate that all the relevant new and amended HKFRS will be adopted in the Group's accounting policy for the first period beginning after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. Currently it has been considered that adoption of them is unlikely to have an impact on the Group's results of operations and financial position, except for the following:

HKFRS 15 Revenue from contracts with customers

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

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 entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group has started to assess the impact of HKFRS 15 and the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the Group's Historical Financial Information.

HKFRS 9 Financial instrument

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income for the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case, all gains or losses on that liability are to be presented in profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assess hedge effectiveness.

The Directors consider that the application of HKFRS 9 in the future will not have a significant impact on the Group's results and financial position.

HKFRS 16 Leases

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. The Directors are yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition;

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;

- assessing their current disclosures for finance leases (Note 22) and operating leases (Note 26) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions assessing the additional disclosures that will be required.

As at 30 April 2017, the operating lease commitments amounted to HK$553,000, and the management of the Group expects that the operating lease commitments will be required to be recognised in the Historical Financial Information as right-of-use assets and lease liabilities if HKFRS 16 would have been applied.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Construction contracts

As explained in Notes 2.6 and 2.12, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers and their agents. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken.

Management exercised their judgements and estimated based on contract costs and revenues with reference to the latest available information, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

As at 31 December 2014, 2015, 2016 and 30 April 2017, the carrying amounts of the Group's contract work-in-progress are HK31,646,000, HK$58,396,000, HK$39,921,000 and HK$30,028,000 respectively. Details of the amounts due from/(to) customers on construction contracts are disclosed in Note 18.

(b) Provision for impairment of trade receivables

The Group determines the provision for impairment of trade receivables. This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

As at 31 December 2014, 2015, 2016 and 30 April 2017, the carrying amounts of the Group's Trade receivables are HK21,595,000, HK$20,984,000, HK$21,043,000 and HK$18,007,000 respectively. Details of the trade receivables are disclosed in Note 15.

5. REVENUE

The Group's principal activities are disclosed in Note 1.1 of Section II to the Historical Financial Information. Revenue recognised during the Track Record Period are as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Contracting revenue	305,262	391,427	344,766	118,205	122,846

The chief operating decision-maker has been identified as the executive directors of the Company. The Directors regards the Group's business of slope, foundation and general building works as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	214,124	302,442	239,675	95,584	58,446
Customer B	N/A	N/A	N/A	N/A	24,318

6. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Consultancy fee income	–	–	125	–	–
Management fee income	132	156	24	18	–
Rental income from lease of machinery	422	485	289	60	65
Government grants *(Note)*	267	79	–	–	–
Labour charges income	2	150	1,322	61	251
Safety consultancy income	–	105	617	–	289
Other	219	285	726	502	266
	1,042	1,260	3,103	641	871

Note: Government grants of HK$267,000, HK$79,000, HK$nil, and HK$nil and HK$nil was granted during the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017, respectively, to subsidy the retirement of Pre-Euro IV Diesel Commercial Vehicles of the Group. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grant in the future.

7. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank loan and overdrafts interest	236	139	327	75	135
Finance charge on obligations under finance lease	211	118	31	14	–
	447	257	358	89	135

8. PROFIT BEFORE INCOME TAX

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax is stated after charging/ (crediting):					
(a) Staff costs (including directors' remuneration *(Note 12(a))*					
Salaries, wages and other benefits	25,340	31,380	38,247	14,046	10,929
Discretionary bonuses	2,370	3,935	3,155	177	204
Contributions to defined contribution retirement plans	1,342	1,471	1,357	417	462
Staff costs (including directors' remuneration) *(note (i))*	29,052	36,786	42,759	14,640	11,595
(b) Other items					
Depreciation, included in:					
Direct costs					
– Owned assets	300	930	1,360	339	300
– Leased assets	953	312	–	70	–
Administrative expenses					
– Owned assets	2,461	3,265	3,005	973	753
– Leased assets	708	365	–	139	–
	4,422	4,872	4,365	1,521	1,053
Operating lease charges:					
– Premises	1,267	1,704	2,252	720	735
Subcontracting charges (included in direct costs)	205,257	263,791	226,567	69,626	90,737
Listing expenses	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Loss/(gain) on disposal/ written off of property, plant and equipment	392	288	(12)	28	(115)
Auditors' remuneration	102	105	175	–	33

Note:

(i) Staff costs (including directors' remuneration)

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Direct costs	24,487	28,747	33,400	11,635	8,455
Administrative expenses	4,565	8,039	9,359	3,005	3,140
	29,052	36,786	42,759	14,640	11,595

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period.

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Provision for Hong Kong Profits Tax					
– Current tax	4,661	8,030	5,995	2,920	1,859
– Deferred tax *(note 23)*	417	(514)	106	165	112
	5,078	7,516	6,101	3,085	1,971

The taxation for the years/periods can be reconciled to the profit before income tax per the combined statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before taxation	31,023	42,919	26,505	17,797	8,695
Tax at Hong Kong profits tax rates of 16.5%	5,119	7,082	4,373	2,937	1,435
Tax effect of expense not deductible for tax purpose *(note)*	7	442	1,517	190	178
Utilisation of tax losses previously not recognised	–	–	–	(44)	–
Tax losses not recognised	33	53	328	–	63
Other	(81)	(61)	(117)	2	295
Income tax expense for the year/period	5,078	7,516	6,101	3,085	1,971

Note: Tax effect of expense not deductible for tax purpose for the year ended 31 December 2016 and for the four months ended 30 April 2017 was mainly arose from listing expenses.

10. DIVIDENDS

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interim dividends	2,500	3,200	–	–	30,000

No dividend has been paid or declared by the Company since its date of incorporation. Prior to the Reorganisation, Geotech Engineering had declared and appropriated dividends to its then equity owner of HK$2,500,000, HK$3,200,000, HK$nil, HK$nil and HK$nil for the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017, respectively. Praise Marble had declared to its then equity owner of HK$nil, HK$nil, HK$nil, HK$nil and HK$30,000,000 for the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017, respectively.

The rates for dividends and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

11. EARNINGS PER SHARE

Earnings per share information is not presented as inclusion for the purpose of this financial information is not meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period on a combined basis as disclosed in Notes 1.2 and 1.3.

12. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

Name of director	Fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014					
Mr. Yau	–	36	20	–	56
Mr. Cheung	–	643	20	16	679
Mr. Kung	–	647	83	22	752
Ms. Tang	–	443	59	23	525
	–	1,769	182	61	2,012

Name of director	Fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015					
Mr. Yau	–	611	525	5	1,141
Mr. Cheung	–	772	525	17	1,314
Mr. Kung	–	708	106	15	829
Ms. Tang	–	455	63	27	545
	–	2,546	1,219	64	3,829

Name of director	Fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016					
Mr. Yau	–	1,286	100	18	1,404
Mr. Cheung	–	1,297	100	18	1,415
Mr. Kung	–	863	109	25	997
Ms. Tang	–	655	83	22	760
	–	4,101	392	83	4,576

Name of director	Fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Four months ended 30 April 2016 (unaudited)					
Mr. Yau	–	468	–	6	474
Mr. Cheung	–	474	–	6	480
Mr. Kung	–	283	–	6	289
Ms. Tang	–	216	–	7	223
	–	1,441	–	25	1,466

Name of director	Fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Four months ended 30 April 2017					
Mr. Yau	–	418	–	6	424
Mr. Cheung	–	424	–	6	430
Mr. Kung	–	292	–	9	301
Ms. Tang	–	219	–	7	226
	–	1,353	–	28	1,381

(i) Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang were appointed as the executive directors of the Company on 6 June 2016. Mr. Kung was appointed as the chief executive of the Company on 6 June 2016.

(ii) Mr. Fung Chi Kin, Mr. Cheung Wai Lun Jacky and Mr. Chow Chun To were appointed as independent non-executive directors of the Company on [●]. During the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

(iii) For the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments for the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017.

(iv) The emoluments shown above represent emoluments received by these directors in their capacity as directors/employees of the companies comprising the Group during the Track Record Period.

(b) Five highest paid individuals

For the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017, the five individuals whose emoluments were the highest in the Group include 2, 3, 4, 3 and 4 directors, respectively, whose emoluments are reflected in the disclosure note 12(a) presented above. The aggregate of the emoluments in respect of the other 3, 2, 1, 2 and 1 individuals are as follows:

Details of the emoluments of the remaining highest paid individuals are as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, fee and allowances	1,544	1,076	662	401	249
Discretionary bonuses	86	140	67	–	–
Retirement scheme contributions	53	36	18	12	6
	1,683	1,252	747	413	255

The emoluments fell within the following bands:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Emolument bands:					
HK$ nil – HK$1,000,000	3	2	1	2	1

For the years ended 31 December 2014, 2015, 2016 and for the four months ended 30 April 2016 and the four months ended 30 April 2017, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvement	Computer and software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2014	5,157	9,727	2,350	1,722	1,142	20,098
Additions	736	6,350	1,676	2,516	879	12,157
Disposals/written off	–	(2,205)	(574)	(989)	(249)	(4,017)
At 31 December 2014	5,893	13,872	3,452	3,249	1,772	28,238
At 1 January 2015	5,893	13,872	3,452	3,249	1,772	28,238
Additions	–	1,114	145	96	169	1,524
Disposals/written off	(4,922)	(1,904)	(556)	(602)	(385)	(8,369)
At 31 December 2015	971	13,082	3,041	2,743	1,556	21,393
At 1 January 2016	971	13,082	3,041	2,743	1,556	21,393
Additions	94	159	49	241	66	609
Disposals/written off	(99)	(1,669)	(465)	(1,110)	(4)	(3,347)
At 31 December 2016	966	11,572	2,625	1,874	1,618	18,655
At 1 January 2017	966	11,572	2,625	1,874	1,618	18,655
Additions	–	399	26	498	111	1,034
Disposals	–	(2,221)	–	–	(13)	(2,234)
At 30 April 2017	966	9,750	2,651	2,372	1,716	17,455
Accumulated depreciation						
At 1 January 2014	(5,103)	(4,533)	(1,049)	(976)	(734)	(12,395)
Charge for the year	(89)	(2,401)	(550)	(1,039)	(343)	(4,422)
Depreciation written back upon disposals	–	1,483	371	943	239	3,036
At 31 December 2014	(5,192)	(5,451)	(1,228)	(1,072)	(838)	(13,781)
At 1 January 2015	(5,192)	(5,451)	(1,228)	(1,072)	(838)	(13,781)
Charge for the year	(176)	(2,578)	(631)	(1,091)	(396)	(4,872)
Depreciation written back upon disposals	4,700	1,394	371	513	295	7,273
At 31 December 2015	(668)	(6,635)	(1,488)	(1,650)	(939)	(11,380)
At 1 January 2016	(668)	(6,635)	(1,488)	(1,650)	(939)	(11,380)
Charge for the year	(146)	(2,343)	(535)	(967)	(374)	(4,365)
Depreciation written back upon disposals	71	1,045	276	953	3	2,348
At 31 December 2016	(743)	(7,933)	(1,747)	(1,664)	(1,310)	(13,397)

	Plant and machinery	Motor vehicles	Furniture and fixtures	Leasehold improvement	Computer and software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	(743)	(7,933)	(1,747)	(1,664)	(1,310)	(13,397)
Charge for the period	(55)	(628)	(156)	(98)	(116)	(1,053)
Depreciation written back upon disposals	–	1,950	–	–	11	1,961
At 30 April 2017	(798)	(6,611)	(1,903)	(1,762)	(1,415)	(12,489)
Net book value						
At 31 December 2014	701	8,421	2,224	2,177	934	14,457
At 31 December 2015	303	6,447	1,553	1,093	617	10,013
At 31 December 2016	223	3,639	878	210	308	5,258
At 30 April 2017	168	3,139	748	610	301	4,966

As at 31 December 2014, 2015, 2016 and 30 April 2017, the Group's motor vehicles of HK$6,435,000, HK$2,550,000, HK$nil and HK$nil are held under finance lease (note 22), respectively.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted securities Unit Trust Fund	1,182	1,139	1,130	1,198

The fair value of the Group's available-for-sale financial assets has been measured as described in note 29.5.

15. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables				
– from third parties	20,743	20,982	21,043	18,007
– from related companies	852	2	–	–
	21,595	20,984	21,043	18,007
Retention receivables				
– from third parties	16,822	17,644	18,433	18,483
– from related companies	293	–	–	–
	17,115	17,644	18,433	18,483
Other receivables and prepayment				
– from third parties	8,648	11,934	8,355	7,632
– from related companies	909	–	–	–
	9,557	11,934	8,355	7,632
Utility and other deposits	2,127	3,036	1,809	1,775
	50,394	53,598	49,640	45,897

The Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

Trade receivables

The Group usually provide customers with a credit term of 21 to 30 days. For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

Based on the invoice dates, the ageing analysis of the trade receivables, net of provision for impairment, was as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	20,146	16,152	17,911	16,190
31 – 60 days	231	3,140	2,896	673
61 – 90 days	57	137	25	844
Over 90 days	1,161	1,555	211	300
	21,595	20,984	21,043	18,007

At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no provision for impairment has been recognised at 31 December 2014, 2015, 2016 and 30 April 2017.

Ageing of trade receivables which are past due but not impaired were as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	20,150	9,937	17,911	16,190
Less than 30 days past due	231	9,354	2,896	673
31 – 60 days past due	57	137	25	844
61 – 90 days past due	200	944	–	–
Over 90 days past due	957	612	211	300
	21,595	20,984	21,043	18,007

Trade receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Retention receivables

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum.

Based on the invoice dates, the ageing analysis of the retention receivables, net of provision for impairment, was as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due within one year	11,277	9,540	8,304	8,824
Due after one year	5,838	8,104	10,129	9,659
	17,115	17,644	18,433	18,483

Retention receivables are interest-free and repayable approximately one year after the expiry of the maintenance period of construction projects.

No amounts in relation to other receivables were past due at 31 December 2014, 2015, 2016 and 30 April 2017.

16. AMOUNTS DUE FROM/(TO) DIRECTORS

(a) Particulars of amounts due from directors are as follows:

	At 1 January 2014	At 31 December			At 30 April
		2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Yau	–	–	–	7,504	4,838
Mr. Cheung	2,834	7,030	6,836	7,768	5,110
Mr. Kung	2	2	2	–	2
Ms. Tang	2	2	2	–	–
	2,838	7,034	6,840	15,272	9,950

	Year ended 31 December			Four months ended 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Maximum outstanding amount during the year				
Mr. Yau	–	–	7,504	22,501
Mr. Cheung	14,798	17,933	20,725	24,766
Mr. Kung	2	2	–	2
Ms. Tang	2	2	–	–

(b) Particulars of amounts due to directors are as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Yau	(15,318)	(16,594)	–	–
Mr. Kung	–	–	(2)	–
Ms. Tang	–	–	(3)	(2)
	(15,318)	(16,594)	(5)	(2)

The amounts due from/(to) directors are non-trade in nature. The amounts due are unsecured, non-interest bearing and repayable on demand. The Group will fully settle the amounts due from/(to) directors by the Group's internal financial resources prior to the Listing.

The Directors consider that the fair value of amount due from/(to) director(s) is not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

17. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

Particulars of amounts due from related companies are as follows:

	At 1 January 2014	At 31 December			At 30 April
		2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TK & Y Development Limited	–	–	2	22	27
Greenland Resources Limited	8	8	–	–	–
Allbest Business Limited	22	25	–	–	–
Shun Hip Engineering Limited	41	179	–	–	–
TK & Y Investment Company Limited	–	11	40	51	51
Grand Famous Investment Limited	25	71	131	134	134
U-Win Const & Eng Co Limited	62	5	–	–	–
Wah On Garden Landscaping Limited	–	33	–	–	–
Kinli Civil Engineering Limited	10	20	–	–	–
Independent Testing Limited	47	67	–	–	–
Instrumentation & Testing Limited	–	–	–	60	160
	215	419	173	267	372

	Year ended 31 December			Four months ended 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Maximum outstanding amount during the year:				
TK & Y Development Limited	–	2	22	27
Greenland Resources Limited	52	44	–	–
Allbest Business Limited	25	2,021	–	–
Shun Hip Engineering Limited	408	1,077	–	–
TK & Y Investment Company Limited	11	40	51	51
Grand Famous Investment Limited	71	131	134	134
U-Win Const & Eng Co Limited	67	3,548	–	–
Wah On Garden Landscaping Limited	827	845	–	–
Kinli Civil Engineering Limited	20	21	–	–
Independent Testing Limited	67	68	–	–
Instrumentation & Testing Limited	–	–	60	160

Particulars of amounts due to related companies are as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geoscape & Environmental Limited	(2,167)	–	–	–
TK & Y Development Limited	(47)	–	–	–
	(2,214)	–	–	–

The amounts due from/(to) related companies are non-trade in nature. The amounts due are unsecured, non-interest bearing and repayable on demand. The Group will fully settle the amounts due from/(to) directors by the Group's internal financial resources prior to the Listing. Details of related party relationship are disclosed in Note 27(a).

The Directors consider that the fair values of amounts due from/(to) with related companies are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

18. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	959,074	946,694	839,830	954,221
Less: progress billings	(927,428)	(888,298)	(799,909)	(924,193)
Contract work-in-progress	31,646	58,396	39,921	30,028
Analysed for reporting purposes as:				
Amounts due from customers on construction contracts	36,372	61,551	42,402	31,193
Amounts due to customers on construction contracts	(4,726)	(3,155)	(2,481)	(1,165)
	31,646	58,396	39,921	30,028

The gross amounts due from/(to) customers on construction contracts are expected to be recovered/settled within one year.

19. CASH AND BANK BALANCES

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank	23,603	45,850	53,291	36,138
Cash on hand	154	168	120	120
Cash and bank balances as stated in the combined statements of financial position	23,757	46,018	53,411	36,258
Less: Bank overdraft *(Note 21)*	(1,373)	(3,710)	–	–
Cash and cash equivalents per the combined statement of cash flows	22,384	42,308	53,411	36,258

Note:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Directors consider that the fair values of cash at bank are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

20. TRADE AND OTHER PAYABLES

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note (a))*				
– from third parties	17,047	29,439	17,331	13,772
– from related companies	4,886	–	–	–
	21,933	29,439	17,331	13,772
Retention payables *(note (b))*				
– from third parties	6,046	10,628	13,301	13,569
– from related companies	5,068	–	–	–
	11,114	10,628	13,301	13,569
Accruals and other payables				
– from third parties	4,483	6,601	7,159	2,620
– from related companies	20	20	–	–
	4,503	6,621	7,159	2,620
	37,550	46,688	37,791	29,961

Notes:

(a) Payment terms granted by suppliers are 30 to 60 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	17,574	19,809	11,442	10,325
31 – 60 days	2,131	5,285	4,827	1,502
61 – 90 days	562	687	355	788
Over 90 days	1,666	3,658	707	1,157
	21,933	29,439	17,331	13,772

(b) Retention payables are interest-free and settled in accordance with the terms of the respective contracts.

(c) All trade and other payables are denominated in HK$.

(d) All amounts are short-term and hence, the carrying values of the Group's trade payables, retention payables and accruals and other payables are considered to be a reasonable approximation of fair value.

21. BORROWINGS, SECURED

At 31 December 2014, 2015, 2016 and 30 April 2017, the bank loans were repayable as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts *(note (a))*	1,373	3,710	–	–
Bank loans repayable within one year or on demand *(note (b))*	1,260	860	16,667	14,444
	2,633	4,570	16,667	14,444

(a) At 31 December 2014 and 2015, the bank overdrafts are interest-bearing at 5.75%-6%, 5.75%-6.25% per annum. At 31 December 2016 and 30 April 2017, no banking facilities for overdraft were utilised by the Group.

At 31 December 2013, banking facilities for overdrafts to the extent of HK$2,000,000 granted to the Group under the Special Loan Guarantee Scheme sponsored by the Government of the Hong Kong Special Administrative Region ("HKSARG") are secured by guarantee of HK$1,600,000 given by the HKSARG, which was subsequently released during the year ended 31 December 2014.

At 31 December 2014, 2015, 2016 and 30 April 2017, the Group's banking facilities for overdrafts to the extent of HK$5,500,000 granted to the Group were secured by:

(1) Bank deposit of not less than HK$1,000,000 made by Mr. Yau and Mr. Cheung;

(2) Guarantee of HK$1,500,000 given by Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang;

(3) Charge on a property owned by a related company (in which Mr. Cheung has beneficial interests);

(4) Unlimited guarantee from Mr. Yau and Mr. Cheung.

(b) At 31 December 2014, 2015, 2016 and 30 April 2017, the bank loans are interest-bearing at 5%, 5%, 2.68% and 2.40% per annum. At 31 December 2014 and 2015, the bank loan to the extent of HK$2,000,000 granted to the Group under the SME Loan Guarantee Scheme – For Working Capital Loans sponsored by the HKSARG are secured by guarantee of HK$2,000,000 given by Mr. Yau and guarantee of HK$1,000,000 given by the HKSARG. The bank loan has been repaid in June 2016.

At 31 December 2016, the bank loan to the extent of HK$16,667,000 granted to the Group was secured by:

(1) Bank deposit made by Mr. Yau and Mr. Cheung;

(2) Charge on a property owned by a related company (in which Mr. Yau and Mr. Cheung has beneficial interests); and

(3) Unlimited guarantee given by Mr. Yau and Mr. Cheung.

At 30 April 2017, the bank loan to the extent of HK$14,444,000 granted to the Group was secured by:

(1) Bank deposit made by Mr. Yau and Mr. Cheung;

(2) Charge on a property owned by a related company (in which Mr. Yau and Mr. Cheung has beneficial interests);

(3) Unlimited guarantee given by Mr. Yau and Mr. Cheung; and

(4) The Group's available-for-sale financial assets.

(c) In addition to above, at 31 December 2014, 2015, 2016 and 30 April 2017, the Group has unused banking facilities of approximately HK$33 million, HK$33 million, HK$33.5 million and HK$33.5 million, respectively. The unused banking facilities were secured by properties owned by related companies (in which Mr. Yau and Mr. Cheung have beneficial interests), Mr. Yau and his spouse, bank deposits made by a related company (in which Mr. Yau and Mr. Cheung have beneficial interests), Mr. Yau and Mr. Cheung, the Group's available-for-sale financial assets, and unlimited guarantee supported by the life insurance plans of Mr. Yau and Mr. Cheung. Unused banking facilities of HK$5 million has been released in June 2016.

(d) The securities and guarantees from these related parties will be released upon Listing.

22. OBLIGATION UNDER FINANCE LEASES

The analysis of the Group's obligations under finance lease is as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total minimum lease payments: Within one year	2,924	1,160	–	–
After one year but within two years	1,001	157	–	–
After two years but within three years	156	–	–	–
	4,081	1,317	–	–
Future finance charges	(126)	(28)	–	–
Present value of lease obligation	3,955	1,289	–	–

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Present value of minimum lease payment:				
Within one year	2,823	1,134	–	–
After one year but within two years	977	155	–	–
After two years but within three years	155	–	–	–
	3,955	1,289	–	–
Less: Portion due within one year Included under current liabilities	(2,823)	(1,134)	–	–
Portion due after one year included under non-current liabilities	1,132	155	–	–

The Group has entered into finance leases for motor vehicles. These lease period are for 2 to 3 years. At the end of the lease term, the Group has the option to purchase the leased motor vehicles at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases including contingent rentals. The effective interest rate on these finance leases were 3.23% to 4.76%, 3.23% to 4.76% and 3.24% to 4.76% for the years ended 31 December 2014, 2015 and 2016, respectively. The above obligations under finance lease have been fully repaid during the year ended 31 December 2016.

Obligation under finance leases are effectively secured by the underlying assets at the rights to the leased assets would be converted to the lessor in the event of default by repayment by the Group.

23. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% in Hong Kong.

The movement in deferred tax liabilities and (assets) and recognised in the combined statements of the financial position during the Track Record Period are as follows:

	Accelerated tax depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2014	510	–	510
Recognised in profit or loss *(note 9)*	568	(151)	417
As at 31 December 2014 and 1 January 2015	1,078	(151)	927
Recognised in profit or loss *(note 9)*	(282)	(232)	(514)
As at 31 December 2015 and 1 January 2016	796	(383)	413
Recognised in profit or loss *(note 9)*	(277)	383	106
As at 31 December 2016 and 1 January 2017	519	–	519
Recognised in profit or loss *(note 9)*	112	–	112
As at 30 April 2017	631	–	631

The amounts recognised in the combined statement of financial position are as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	151	383	–	–
Deferred tax liabilities	(1,078)	(796)	(519)	(631)
	(927)	(413)	(519)	(631)

At 31 December 2014, 2015, 2016 and 30 April 2017, the Group has unrecognised deferred tax assets in respect of cumulative tax losses of HK$773,000, HK$1,098,000, HK$3,084,000 and HK$3,227,000 as it is not probable that future taxable income against which the losses can be utilised will be available in the entity. These tax losses do not expire under current legislation.

24. CAPITAL AND RESERVE

(a) Combined capital

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Combined capital	10,010	10,010	10,011	10,011

For the purpose of the preparation of the combined statement of financial position, the balance of combined capital at 31 December 2014, 2015, 2016 and 30 April 2017 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

The Company was incorporated in Cayman Island as an exempted company under the Company Law of the Cayman Island with limited liability on 6 June 2016 with an initial authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each and one share was issued thereafter.

(b) Reserve

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statements of changes in equity.

(c) Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. For this purpose gearing ratio is calculated base on total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings include bank borrowings, amount due to a director, amounts due to related companies and obligation under finance leases. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The gearing ratio at the end of each of the Track Record Period:

	At 31 December			At 30 April
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total borrowing				
Borrowings	2,633	4,570	16,667	14,444
Amounts due to directors	15,318	16,594	5	2
Amounts due to related companies	2,214	–	–	–
Obligation under finance leases	3,955	1,289	–	–
	24,120	22,453	16,672	14,446
Total equity	58,899	91,059	111,455	88,247
Gearing ratio	41.0%	24.7%	15.0%	16.4%

25. RESERVE

	Accumulated losses
	HK$'000
Balance at 6 June 2016 (date of incorporation)	–
Loss for the year	(10)
Balance at 31 December 2016	(10)
Loss for the period	–
Balance at 30 April 2017	(10)

26. OPERATING LEASE COMMITMENTS

As lessee

At the end of each of the Track Record Period, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,181	1,737	1,161	553
In the second to fifth years inclusive	1,082	854	–	–
	2,263	2,591	1,161	553

The Group is the lessee in respect of premises under operating leases. The leases typically run for an initial period of one year. The leases do not include contingent rentals.

27. RELATED PARTY TRANSACTIONS

(a) During the Track Record Period, the following parties are identified as related parties of the Group:

Name	Relationship with the Group
Devoni Gi Limited	A related company with interests controlled by Mr. Yau, one of the Controlling Shareholders and an executive director of the Company. Mr. Yau ceased to have any interests on 29 December 2015.
Kwan Fai Construction Limited	A related company with interests controlled by Mr. Yau, one of the Controlling Shareholders and an executive director of the Company. Mr. Yau ceased to have any interests on 29 December 2015.
Shun Hip Engineering Limited	A related company with interests controlled by Mr. Yau, one of the Controlling Shareholders and an executive director of the Company. Mr. Yau ceased to have any interests on 29 December 2015.
TK & Y Development Limited (formerly known as Geotech Engineering Development Ltd)	A related company with interests controlled by Mr. Yau and Mr. Cheung, the Controlling Shareholders and executive directors of the Company.
TK & Y Investment Company Ltd (formerly known as Geotech Investment Company Ltd)	A related company with interests controlled by Mr. Yau and Mr. Cheung, the Controlling Shareholders and executive directors of the Company.
Greenland Resources Limited	A related company with interests controlled by Mr. Yau and Mr. Cheung, the Controlling Shareholders and executive directors of the Company. Mr. Yau and Mr. Cheung ceased to have any interests on 29 December 2015.

Geoscape & Environmental Limited	A related company with interests controlled by Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang, the Controlling Shareholders and executive directors of the Company. Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang ceased to have any interests on 29 December 2015.
Wah On Garden Langscaping Limited	A related company with interests controlled by Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang, the Controlling Shareholders and executive directors of the Company. Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang ceased to have any interests on 29 December 2015.
Independent Testing Limited	A related company with interests controlled by a close family member of Mr. Yau, one of the Controlling Shareholders and an executive director of the Company. The close family member ceased to have any interests on 29 December 2015.
U-Win Const & Eng Co Limited	A related company with interests controlled by a close family member of Mr. Yau, one of the Controlling Shareholders and an executive director of the Company. The close family member ceased to have any interests on 29 December 2015.
Allbest Business Limited	A related company with interests controlled by Mr. Yau and Mr. Cheung, the Controlling Shareholders and executive directors of the Company. Mr. Yau and Mr. Cheung ceased to have any interests on 29 December 2015.
Kinli Civil Engineering Limited	A related company with interests controlled by close family member of Mr. Yau and Mr. Cheung, the Controlling Shareholders and executive directors of the Company. The close family member ceased to have any interests on 29 December 2015.
Grand Famous Investment Limited	A related company with interests controlled by Mr. Cheung, one of the Controlling Shareholders and an executive director of the Group.
Instrumentation & Testing Limited	A related company with interests controlled by Mr. Yau and Mr. Cheung, the Controlling Shareholders and executive directors of the Company.

(b) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the Track Record Period are as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, fee and allowances	1,769	2,584	4,649	1,621	1,538
Discretionary bonuses	182	1,219	468	–	–
Retirement benefit scheme contributions	61	66	101	31	34
	2,012	3,869	5,218	1,652	1,572

(c) Balances with related parties

Details of the balances with directors and related companies are disclosed Notes 16 and 17 to the Historical Financial Information.

(d) Transactions with related parties

Save as disclosed elsewhere in the Historical Financial Information, the Group entered into the following transactions with its related parties:

Name of related party	Nature	Year ended 31 December			Four months ended 30 April	
		2014	2015	2016	2016	2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Devoni Gi Limited	Subcontracting charges paid	9,937	8,135	–	–	–
Kwan Fai Construction Limited	Subcontracting charges paid	1,185	32	–	–	–
	Materials charges paid	–	147	–	–	–
Shun Hip Engineering Limited	Subcontracting charges paid	24,152	26,611	–	–	–
TK & Y Investment Company Ltd	Rental fee paid	240	240	–	–	–
Greenland Resources Limited	Subcontracting charges paid	303	1,393	–	–	–
	Materials charges paid	1,490	1,630	–	–	–
Geoscape & Environmental Limited	Materials charges paid	750	552	–	–	–
Wah On Garden Langscaping Limited	Subcontracting charges paid	3,261	3,051	–	–	–
	Lab test fee paid	218	16	–	–	–
	Materials charges paid	243	139	–	–	–
Independent Testing Limited	Materials charges paid	46	99	–	–	–
U-Win Const & Eng Co Limited	Subcontracting charges paid	46,643	62,688	–	–	–
Allbest Business Limited	Subcontracting charges paid	–	2,750	–	–	–
Kinli Civil Engineering Limited	Subcontracting charges paid	–	2,728	–	–	–

Transactions with related parties were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third party suppliers of the Group.

(e) Guarantee by related parties

Details of the securities and guarantees from directors and related parties are disclosed in Note 21 to the Historical Financial Information.

28. CONTINGENT LIABILITIES

At 31 December 2014, 2015, 2016 and 30 April 2017, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. The Directors are of the opinion that the claims and litigations are not expected to have a material impact on the Historical Financial Information, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the Historical Financial Information.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

29.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and liabilities:

	At 31 December			At 30 April
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
– Trade and other receivables	42,757	49,461	48,135	44,487
– Amounts due from directors	7,034	6,840	15,272	9,950
– Amounts due from related companies	419	173	267	372
– Cash and bank balances	23,757	46,018	53,411	36,258
	73,967	102,492	117,085	91,067
Available-for-sale financial assets	1,182	1,139	1,130	1,198
	75,149	103,631	118,215	92,265
Financial liabilities				
At amortised costs:				
– Trade and other payables	(37,550)	(46,688)	(37,791)	(29,961)
– Obligation under finance leases	(3,955)	(1,289)	–	–
– Borrowing, secured	(2,633)	(4,570)	(16,667)	(14,444)
– Amounts due to directors	(15,318)	(16,594)	(5)	(2)
– Amounts due to related companies	(2,214)	–	–	–
	(61,670)	(69,141)	(54,463)	(44,407)

29.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings and obligation under finance leases. Borrowings bearing variable rates and fixed rate expose the Group to cash flow interest rate risk and fair value interest rate risk respectively and the exposure to the Group is considered immaterial. Obligation under finance leases bearing fixed rate expose the Group to fair value interest rate risk and the exposure to the Group is considered immaterial.

The exposure to interest rate risk for the Group bank balances is considered immaterial.

29.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at 31 December 2014, 2015, 2016 and 30 April 2017 as summarised in note 29.1.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At 31 December 2014, 2015, 2016 and 30 April 2017, the Group has concentration of credit risk as 61% and 70%, 34% and 62%, 40% and 79% and 44% and 63% of the total trade receivables were due from the Group's largest customer and five largest customers respectively. The aggregate amounts of trade receivables from these customers amounted to HK$13,280,000 and HK$15,058,000, HK$7,117,000 and HK$13,060,000, HK$8,519,000 and HK$16,598,000 and HK$7,915,000 and HK$11,396,000 of the Group's total trade receivables at 31 December 2014, 2015, 2016 and 30 April 2017 respectively.

29.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities at 31 December 2014, 2015, 2016 and 30 April 2017. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within one year *HK$'000*	**Over 1 year but within 5 years** *HK$'000*	**Total undiscounted cash flow** *HK$'000*	**Carrying amount** *HK$'000*
At 31 December 2014				
Trade and other payables	(37,550)	–	(37,550)	(37,550)
Obligations under finance leases	(2,924)	(1,157)	(4,081)	(3,955)
Bank overdrafts	(1,373)	–	(1,373)	(1,373)
Bank loan	(1,359)	–	(1,359)	(1,260)
Amount due to a director	(15,318)	–	(15,318)	(15,318)
Amounts due to related companies	(2,214)	–	(2,214)	(2,214)
	(60,738)	(1,157)	(61,895)	(61,670)

	On demand or within one year *HK$'000*	Over 1 year but within 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
At 31 December 2015				
Trade and other payables	(46,688)	–	(46,688)	(46,688)
Obligations under finance leases	(1,160)	(157)	(1,317)	(1,289)
Bank overdrafts	(3,710)	–	(3,710)	(3,710)
Bank loan	(906)	–	(906)	(860)
Amount due to director	(16,594)	–	(16,594)	(16,594)
	(69,058)	(157)	(69,215)	(69,141)

	On demand or within one year *HK$'000*	Over 1 year but within 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
At 31 December 2016				
Trade and other payables	(37,791)	–	(37,791)	(37,791)
Bank loan	(17,257)	–	(17,257)	(16,667)
Amounts due to directors	(5)	–	(5)	(5)
	(55,053)	–	(55,053)	(54,463)

	On demand or within one year *HK$'000*	Over 1 year but within 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
At 30 April 2017				
Trade and other payables	(29,961)	–	(29,961)	(29,961)
Bank loan	(14,841)	–	(14,841)	(14,444)
Amounts due to directors	(2)	–	(2)	(2)
	(44,804)	–	(44,804)	(44,407)

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

29.5 Fair value measurement of financial instruments

(a) Financial assets measured at fair value

Financial assets and liabilities measured at fair value in the combined statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Fair value at 31 December	Fair value measurement using Level 2
	HK$'000	*HK$'000*
2014		
Recurring fair value measurement		
Financial assets		
Available-for-sale financial assets:		
Unlisted unit trust funds	1,182	1,182

	Fair value at 31 December	Fair value measurement using Level 2
	HK$'000	*HK$'000*
2015		
Recurring fair value measurement		
Financial assets		
Available-for-sale financial assets:		
Unlisted unit trust funds	1,139	1,139

	Fair value at 31 December	Fair value measurement using Level 2
	HK$'000	*HK$'000*
2016		
Recurring fair value measurement		
Financial assets		
Available-for-sale financial assets:		
Unlisted unit trust funds	1,130	1,130

	Fair value at 30 April	Fair value measurement using Level 2
	HK$'000	*HK$'000*
2017		
Recurring fair value measurement		
Financial assets		
Available-for-sale financial assets:		
Unlisted unit trust funds	1,198	1,198

There were no transfers between categories during the Track Record Period.

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 are unchanged compared to the previous reporting periods and are described below: The available-for-sale financial assets are unlisted unit trust funds dominated in US$. Fair values have been determined by reference to their quoted prices as stated in the bank statements at each of the reporting date and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate. The effects of non-observable inputs are not significant for the unlisted unit trust funds.

Fair value change on available-for-sale unit trust fund is recognised in other comprehensive income and included under "Available-for-sale financial assets revaluation reserve".

(b) Fair value of financial assets and liabilities carried at other than fair value

The carry amounts of the Group's financial assets and liabilities are not materially different from their fair values at the end of each of the Track Record Period due to their short maturities.

30. MAJOR NON-CASH TRANSACTIONS

For the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017, interim dividend payable were settled through the amounts due from/(to) directors in the amount of HK$2,500,000, HK$2,000,000, HK$nil, HK$nil and HK$nil, respectively, of which approximately HK$1,250,000, HK$1,000,000, HK$nil, HK$nil and HK$nil set off against the amounts due from directors and approximately HK$1,250,000, HK$1,000,000, HK$nil, HK$nil and HK$nil settled in the amount due to a director.

For the years ended 31 December 2014, 2015, 2016 and the four months ended 30 April 2016 and the four months ended 30 April 2017, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of HK$4,661,000, HK$543,000, HK$nil, HK$nil and HK$nil which were directly settled by licensed money lenders and banks to the sellers of motor vehicles.

III EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 April 2017:

The companies comprising the Group underwent and completed the Group Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Group Reorganisation are set out in the section headed "History and development" in the Document. Upon completion of the Group Reorganisation on [●] 2017, the Company became the holding Company of the Group.

The Group's outstanding balances with related companies (Note 17) and directors (Note 16) are expected to be fully settled in [●] 2017 and the securities and guarantees from related parties (Note 21) are expected to be released in [●] 2017.

IV SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 April 2017.

The information set forth in this appendix does not form part of the Accountants' Report on the historical financial information of the Group for the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017 prepared by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I of this document (the "Accountants' Report"), and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix I of this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 June 2016 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [●]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the

principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to

issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as the Selling Shareholder, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such

Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(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 shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 6 June 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 28 March 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to

be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official

liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. 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 in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 6 June 2016. Our Company's registered office is at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY-1108, Cayman Islands. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 5 August 2016, and has established a principal place of business in Hong Kong at Units 05-08, 11/F., Delta House, 3 On Yiu Street, Shek Mun, New Territories, Hong Kong. Mr. Yau Kin Wing Sino of Units 05-08, 11/F., Delta House, 3 On Yiu Street, Shek Mun, New Territories, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of our Company

(a) As at the date of incorporation, our Company had an authorised share capital of HK$100,000 divided into 10,000,000 Shares with par value of HK$0.01 each. 1 Share was allotted and issued nil-paid to the subscriber on 6 June 2016, and was subsequently transferred to Flourish Team on the same day. On 6 June 2016, our Company issued and allotted 97 and 2 Shares, nil-paid, to each of Flourish Team and Double Wink, respectively.

(b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of all the issued shares of Praise Marble from Flourish Team and Double Wink on [●], 98 nil-paid Shares held by Flourish Team (including one nil-paid subscriber Share transferred to Flourish Team earlier) and 2 nil-paid Shares held by Double Wink were credited as fully paid.

(c) On [●], the authorised share capital of our Company was increased from HK$100,000 divided into 10,000,000 ordinary shares of par value HK$0.01 each to HK$40,000,000 divided into 4,000,000,000 ordinary shares of par value HK$0.01 each by the creation of an additional 3,990,000,000 ordinary shares of par value HK$0.01 each which rank pari passu in all respects with the existing Shares.

(d) Immediately following completion of the Capitalisation Issue and the [REDACTED], and taking no account of any Share to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

(e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further information about our Company – 3. Written resolutions of all Shareholders passed on [●]" in this appendix and pursuant to the [REDACTED] or the Share Option Scheme, 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 general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(f) Save as disclosed in this document, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of all Shareholders passed on [●]

On [●], resolutions in writing were passed by all Shareholders pursuant to which, among other things:

(a) our Company approved and adopted the Memorandum and the Articles;

(b) our Company increased its authorised share capital from HK$100,000 divided into 10,000,000 ordinary shares of par value HK$0.01 each to HK$40,000,000 divided into 4,000,000,000 ordinary shares of par value HK$0.01 each by the creation of a 3,990,000,000 additional ordinary shares of par value HK$0.01 each, each ranking *pari passu* in all regards with the Shares in issue at the date of passing of these resolutions;

(c) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in this appendix, and our Directors were authorised to grant options to subscribe for the Shares thereunder and, conditional on the Listing Division of the Stock Exchange granting of the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the [REDACTED] (including any additional Shares which may be granted under the Share Option Scheme) and any Shares issued under the Capitalisation Issue, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;

(d) conditional on the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document (including any Shares to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme) and on the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and the [REDACTED] not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this document:

(i) the [REDACTED] and the [REDACTED] were approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] and the [REDACTED] to rank pari passu with the then existing Shares in all respects;

(ii) conditional further on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of allotment and issue of the [REDACTED], the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK$[REDACTED] (or any amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares (or any number of Shares any one Director may determine) for allotment and issue to the person(s) whose names appear on the register of members or the principal share register of our Company at the close of business on [●] (or as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each carrying same rights and rank *pari passu* in all respects with the then Shares in issue;

(e) 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 the [REDACTED] or any options which may be granted under the Share Option Scheme or any other 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 Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED] but excluding any Shares to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(f) 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 aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the [REDACTED] but excluding any Shares to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles any applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

(g) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company 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 aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the [REDACTED] but excluding any Shares to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. For information relating to the Reorganisation, please refer to the section headed "History and development" in this document.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report of our Company, the text of which is set out in Appendix I to this document.

Save as disclosed in the section "History and development" of this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Repurchase of Shares by our Company

This section contains information required by the Stock Exchange to be included in this document concerning the repurchase of Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our then Shareholders on [●], a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares 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 aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the [REDACTED] but excluding any Shares to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its

own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement, otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a core connected person (as defined in the Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate (as defined in the Listing Rules) of any of them, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(iv) Trading restrictions

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(v) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the certificates of the relevant securities must be cancelled and destroyed. Under Cayman Islands law, shares repurchased by a Cayman Islands company may be treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be taken as reduced.

(vi) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarter-year period or any other interim period (whether or not required by the Listing Rules); and (2) the deadline for our Company to publish an announcement of its results for any year, or half-year or quarter-year period under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if our Company has breached the Listing Rules.

(vii) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to provide our Company in a timely manner the necessary information in relation to the purchase made on behalf of the company to enable our Company to report to the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of [REDACTED] Shares in issue immediately after completion of the Capitalisation Issue and the [REDACTED] and taking no account of any Share to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, our Directors would be authorised under the Repurchase Mandate to repurchase up to [REDACTED] Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from 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 our Shareholders as a whole.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Companies Law, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

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 and the applicable law and regulations from time to in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose 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 our Shareholders'

interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, 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 of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the 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.

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 has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this document and are or may be material in relation to the business of our Company taken as a whole:

(a) the assignment dated 1 June 2016 given by Mr. Yau in favour of our Geotech Engineering in relation to the assignment of all interest and title to the application number 303718080 for the registration of the trademark in Hong Kong as detailed in the sub-paragraph headed "2. Intellectual property rights of our Group" in this appendix at the nominal consideration of HK$1.00;

(b) a sale and purchase agreement dated 24 June 2016 entered into among Mr. Yau, Mr. Cheung and Praise Marble, pursuant to which Praise Marble agreed to acquire 5,000,000 shares of Geotech Engineering from Mr. Yau and Mr. Cheung, respectively, and in consideration, Praise Marble issued and allotted 88 shares in total, all credited as fully-paid, to Flourish Team (pursuant to the instructions from Mr. Yau and Mr. Cheung respectively);

(c) an instrument of transfer and bought and sold note dated 24 June 2016 entered into between Praise Marble and Mr. Yau for the transfer of 5,000,000 shares of Geotechnical Engineering as referred to item (b) above;

(d) an instrument of transfer and bought and sold note dated 24 June 2016 entered into between Praise Marble and Mr. Cheung for the transfer of 5,000,000 shares of Geotechnical Engineering as referred to item (b) above;

(e) a sale and purchase agreement dated 24 June 2016 entered into among Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang and Praise Marble, pursuant to which Praise Marble agreed to acquire 3,000 shares, 3,000 shares, 2,000 shares, 2,000 shares of GeoResources from Mr. Yau, Mr. Cheung, Mr. Kung and Ms. Tang, respectively, and in consideration, Praise Marble issued and allotted 8 shares all credited as fully-paid to Flourish Team (pursuant to the instructions from Mr. Yau, Mr. Cheung and Mr. Kung respectively) and 2 shares all credited as fully-paid to Double Wink (pursuant to the instructions from Ms. Tang);

(f) an instrument of transfer and bought and sold note dated 24 June 2016 entered into between Praise Marble and Mr. Yau for the transfer of 3,000 shares of GeoResources as referred to item (e) above;

(g) an instrument of transfer and bought and sold note dated 24 June 2016 entered into between Praise Marble and Mr. Cheung for the transfer of 3,000 shares of GeoResources as referred to item (e) above;

(h) an instrument of transfer and bought and sold note dated 24 June 2016 entered into between Praise Marble and Mr. Kung for the transfer of 2,000 shares of GeoResources as referred to item (e) above;

(i) an instrument of transfer and bought and sold note dated 24 June 2016 entered into between Praise Marble and Ms. Tang for the transfer of 2,000 shares of GeoResources as referred to item (e) above;

(j) a sale and purchase agreement dated 24 June 2016 entered into between Mr. Yau and Praise Marble, pursuant to which Praise Marble agreed to acquire 1 share of Richway from Mr. Yau, and in consideration, Praise Marble issued and allotted 1 share in total, all credited as fully-paid, to Flourish Team (pursuant to the instructions from Mr. Yau);

(k) an instrument of transfer and bought and sold note dated 24 June 2016 entered into between Praise Marble and Mr. Yau for the transfer of 1 share of Richway as referred to item (j) above;

(l) a sale and purchase agreement dated 24 June 2016 entered into between Mr. Yau and Praise Marble, pursuant to which Praise Marble agreed to acquire 1 share of Yau Wing from Mr. Yau, and in consideration, Praise Marble issued and allotted 1 share in total, all credited as fully-paid, to Flourish Team (pursuant to the instructions from Mr. Yau);

(m) an instrument of transfer and bought and sold note dated 24 June 2016 entered into between Praise Marble and Mr. Yau for the transfer of 1 share of Yau Wing as referred to item (l) above;

(n) a sale and purchase agreement dated 29 June 2016 entered into between Mr. Yau and Yau Wing, pursuant to which Yau Wing agreed to acquire all assets, liabilities and undertakings (other than any and all litigation cases) of U-Win at a consideration of HK$4,967,000;

(o) a sale and purchase agreement dated [●] 2017 entered into between Flourish Team, Double Wink and our Company, pursuant to which our Company agreed to acquire 196 shares and 4 shares of Praise Marble from Flourish Team and Double Wink respectively, and the consideration for acquisition was satisfied by our Company credited as fully paid at par the (i) 98 nil-paid Shares held by Flourish Team (including one nil-paid subscriber Share) and (ii) 2 nil-paid Shares held by Double Wink;

(p) an instrument of transfer dated [●] 2017 entered into between Flourish Team and our Company for the transfer of 196 shares of Praise Marble as referred to item (o) above;

(q) an instrument of transfer dated [●] 2017 entered into between Double Wink and our Company for the transfer of 4 shares of Praise Marble as referred to item (o) above;

(r) the Deed of Non-competition;

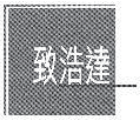
(s) the Deed of Indemnity; and

(t) the [REDACTED].

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong save for one application for registration which we let lapse as noted below:

Trademark	Class	Trademark number	Name of owner/ applicant	Status	Registration date	Expiry date
	37	303556035	Geotech Engineering	Registered *(Note 1)*	06-10-2015	05-10-2025
	42	303830247	Geotech Engineering	Registered	07-07-2016	06-07-2026
	37, 42	303954592	Geotech Engineering	Registered	07-11-2016	06-11-2026
	37, 42	303718080	Geotech Engineering	Examined – First examination report issued *(Note 2)*	N/A	N/A

Notes:

1. Mr. Yau is the original applicant of this trademark. Pursuant to an assignment dated 1 June 2016 given by Mr. Yau in favour of Geotech Engineering, all interest and title in this trademark was assigned to Geotech Engineering on 1 June 2016.

2. Given the notice of the opinion of Registrar of Trade Marks that the requirements for registration were not met and we do not believe this trademark is material to our business, we let such application lapse.

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain name	Registrant	Registration date	Expiry date
geotech.hk	Geotech Engineering	15 February 2016	15 February 2019
geotechgroup.com.hk	Geotech Engineering	26 May 2003	27 May 2018

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option scheme), the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under 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 which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name of Directors	Capacity/nature of interest	Number of Shares held/ interested	Approximate percentage of shareholdings
Mr. Yau	Interests held jointly with other persons *(Note 1)*; interest in a controlled corporation *(Note 2)*	[REDACTED]	[REDACTED]%
Mr. Cheung	Interests held jointly with other persons *(Note 1)*; interest in a controlled corporation *(Note 2)*	[REDACTED]	[REDACTED]%
Mr. Kung	Interests held jointly with other persons *(Note 1)*; beneficial owner *(Note 2)*	[REDACTED]	[REDACTED]%
Ms. Tang	Interests held jointly with other persons *(Note 1)* interest in a controlled corporation *(Note 3)*	[REDACTED]	[REDACTED]%

Notes:

1. Immediately following completion of the Capitalisation Issue and the [REDACTED] (but without taking into account of any Shares which may be issued upon the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), Flourish Team will hold [REDACTED] Shares and Double Wink will hold [REDACTED] Shares, representing approximately [REDACTED]% and [REDACTED]% of our entire issued share capital respectively and [REDACTED]% of our entire issued share capital collectively. Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink will together control [REDACTED]% of our entire issued share capital.

2. The issued share capital of Flourish Team is legally and beneficially owned as to 48.98% by Mr. Yau, 48.98% by Mr. Cheung and 2.04% by Mr. Kung. Therefore, Each of Mr. Yau and Mr. Cheung is deemed or taken to be interested in the Shares held by Flourish Team under the SFO. Shares in which each of Mr. Yau and Mr. Cheung is interested consist of (i) [REDACTED] Shares held by Flourish Team in which Mr. Yau and Mr. Cheung are deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which each of Mr. Yau and Mr. Cheung is deemed to be interested as a result of the Concert Party Deed. Shares in which Mr. Kung is interested consist of the [REDACTED] Shares in which Mr. Kung is deemed to be interested as a result of the Concert Party Deed.

3. The issued share capital of Double Wink is legally and beneficially wholly owned by Ms. Tang. Therefore, Ms. Tang is deemed or taken to be interested in the Shares held by Double Wink under the SFO. Shares in which Ms. Tang is interested consist of (i) [REDACTED] Shares held by Double Wink in which Ms. Tang is deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which Ms. Tang is deemed to be interested as a result of the Concert Party Deed.

(ii) Long position in the Shares of associated corporations

Name of Director	Name of associated corporation	Capacity/ nature	Number of share held/ interested	Approximate percentage of shareholding
Mr. Yau	Flourish Team	Beneficial owner	2,449	48.98%
Mr. Cheung	Flourish Team	Beneficial owner	2,449	48.98%
Mr. Kung	Flourish Team	Beneficial owner	102	2.04%

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the [REDACTED], have interests or short positions in

Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

Long position in the Shares

Name of Shareholder	**Capacity/nature of interest**	**Number of Shares held/ interested**	**Approximate percentage of shareholdings**
Flourish Team	Beneficial owner *(Notes 1 and 2)*	[REDACTED]	[REDACTED]%
Ms. Yam Yau Tim	Interest of spouse *(Note 3)*	[REDACTED]	[REDACTED]%
Ms. Tang Yim Ling	Interest of spouse *(Note 4)*	[REDACTED]	[REDACTED]%
Ms. Wan On Man Amy	Interest of spouse *(Note 5)*	[REDACTED]	[REDACTED]%
Double Wink	Beneficial owner *(Notes 1 and 6)*	[REDACTED]	[REDACTED]%
Mr. Lee Tsz Kit Gordon	Interest of spouse *(Note 7)*	[REDACTED]	[REDACTED]%

Notes:

1. Immediately following completion of the Capitalisation Issue and the [REDACTED] (but without taking into account of any Shares which may be issued upon the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), Flourish Team will hold [REDACTED] Shares and Double Wink will hold [REDACTED] Shares, representing approximately [REDACTED]% and [REDACTED]% of our entire issued share capital respectively and [REDACTED]% of our entire issued share capital collectively. Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, immediately following completion of the [REDACTED] (but without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), Mr. Yau, Mr. Cheung, Mr. Kung, Ms. Tang, Flourish Team and Double Wink will together control [REDACTED]% of our entire issued share capital.

2. The issued share capital of Flourish Team is legally and beneficially owned as to 48.98% by Mr. Yau, 48.98% by Mr. Cheung and 2.04% by Mr. Kung. Therefore, Mr. Yau and Mr. Cheung are deemed or taken to be interested in the Shares held by Flourish Team under the SFO. Shares in which each of Mr. Yau and Mr. Cheung is interested consist of (i) [REDACTED] Shares held by Flourish Team in which Mr. Yau and Mr. Cheung are deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which each of Mr. Yau and Mr. Cheung is deemed to be interested as a result of the Concert Party Deed. Shares in which Mr. Kung is interested consist of the [REDACTED] Shares in which Mr. Kung is deemed to be interested as a result of the Concert Party Deed.

3. Ms. Yam Yau Tim is the spouse of Mr. Yau. Accordingly, Ms. Yam Yau Tim is deemed or taken to be interested in the Shares Mr. Yau is interested in under the SFO.

4. Ms. Tang Yim Ling is the spouse of Mr. Cheung. Accordingly, Ms. Tang Yim Ling is deemed or taken to be interested in the Shares Mr. Cheung is interested in under the SFO.

5. Ms. Wan On Man Amy is the spouse of Mr. Kung. Accordingly, Ms. Wan On Man Amy is deemed or taken to be interested in the Shares Mr. Kung is interested in under the SFO.

6. The issued share capital of Double Wink is legally and beneficially wholly owned by Ms. Tang. Therefore, Ms. Tang is deemed or taken to be interested in the Shares held by Double Wink under the SFO. Shares in which Ms. Tang is interested consist of (i) [REDACTED] Shares held by Double Wink in which Ms. Tang is deemed to be interested under the SFO; and (ii) [REDACTED] Shares in which Ms. Tang is deemed to be interested as a result of the Concert Party Deed.

7. Mr. Lee Tsz Kit Gordon is the spouse of Ms. Tang. Accordingly, Mr. Lee Tsz Kit Gordon is deemed or taken to be interested in the Shares Ms. Tang is interested in under the SFO.

2. Particulars of service agreements

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company on [●]. The principal particulars of these service agreements are (a) commencing from the [REDACTED], which may be terminated by not less than six months' notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has signed an appointment letter with our Company on [●]. The principal particulars of these service agreements are (a) for a term of three years commencing from the [REDACTED], which may be terminated by not less than three months' notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

Save as disclosed above, none of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors and senior management

The remuneration of our executive Directors for the Track Record Period is set out under Note 12 to the Accountant's Report of our company set out in Appendix I to this document. During the Track Record Period, our independent non-executive Directors had not yet been appointed and had not received any directors' remuneration in the capacity of Directors.

(a) The aggregate amount of emoluments paid by our Group to our executive Directors for FY2014, FY2015, FY2016 and 4M2017 were approximately HK$2.0 million, HK$3.8 million, HK$4.6 million and HK$1.4 million respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately HK$4.6 million.

(c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK$'000
Executive Director	
Mr. Yau Kin Wing Sino	1,200
Mr. Cheung Ting Kam	1,200
Mr. Kung Ho Man	900
Ms. Tang Ka Wa Danise	600
Independent non-executive Director	
Mr. Chow Chun To	180
Mr. Cheung Wai Lun Jacky	180
Mr. Fung Chi Kin	360

(d) The executive Directors may be granted a discretionary management bonus for the financial year ending 31 December 2017 and onwards at the sole discretion of our Board.

Save as disclosed above, no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable.

4. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting – Underwriting arrangements and expenses – Commission and expenses" in this document and "E. Other information – 3. Sole Sponsor" in this appendix, none of our Directors or the experts named in the paragraph headed "E. Other information – 7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the three years preceding the date of this document.

5. Related party transactions

Details of the related party transactions are set out under note 27 to the Accountants' Report of our Group set out in Appendix I to this document.

6. Disclaimers

Save as disclosed in this document:

(a) taking no account of any Shares to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed "A. Further information about our Company" in this appendix, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the [REDACTED], have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;

(b) taking no account of any Shares to be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under 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 would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(c) none of the Directors or the experts named in the sub-paragraph headed "6. Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the three years immediately preceding the issue of this document, 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;

(d) none of the Directors or the experts named in the sub-paragraph headed "6. Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(e) none of the Directors or the experts named in the sub-paragraph headed "6. Qualifications of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

(g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

(h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the resolutions in writing of the Shareholders passed on [●].

For the purpose of this appendix, the following expressions have the meanings set out below unless context otherwise requires:

"Adoption Date"	means [●], the date on which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the Shareholders;
"Board"	means our Board from time to time or a duly authorised committee thereof;
"Eligible Employee"	means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its Subsidiaries and any Invested Entity;
"Grantee"	means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person;

"Group"	means our Company and its Subsidiaries from time to time and member(s) of our Group" shall be construed accordingly;
"Invested Entity"	means any entity in which our Group holds any equity interest;
"Option"	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;
"Option Period"	means in respect of any particular Option, such period as our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that our Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option;
"Participant"	means any person belonging to any of the following classes of participants: (a) any Eligible Employee; (b) any non-executive director (including independent nonexecutive directors) of our Company, any of its Subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of our Group or any Invested Entity; (d) any customer of our Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity; (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group,

and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust; and

"Scheme Period" means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive).

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) Who may join

Subject to Share Option Scheme and the Listing Rules, our Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as our Board may in its absolute discretion select, and subject to such conditions as our Board may think fit, an Option to subscribe for such number of Shares as our Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of an offer for grant of Option(s), the Participant shall pay HK$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date of grant.

(c) Grant of option and acceptance of offer

No offer of grant of Options shall be made where inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the Listing Rules and/or Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of the results of our Company for any year, half-year or quarter-year period (if applicable) or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half year or quarterly (if applicable) or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any option to a Participant who is a Director during the periods or times in which such Directors are prohibited from dealing in the Shares prescribed by Model Code for Securities Transactions by Directors of Listed Issues of the Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Options which if exercised in full would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Options to such Participant (the "Further Grant") notwithstanding that the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue. In such circumstances, we must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such Participant and all the information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Participant must be fixed before the Shareholders' approval and the date of the meeting of our Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless our Board otherwise determined and stated in the offer of the grant of Options to a Participant, a Grantee is not required to achieve any performance target before any Options granted under the Share Option Scheme can be exercised.

(d) Price of Shares

The subscription price for the Shares subject to any particular Option shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the Option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the Option, the issue price of the Shares shall be deemed to be the closing price of the Shares on the [REDACTED] for any trading day falling within the period before the Shares are listed on the Stock Exchange.

(e) Maximum amount of Shares

(i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares (assuming the [REDACTED] is not exercised and no options are

granted under the Share Option Scheme) in issue on the [REDACTED]. On the basis of [REDACTED] Shares in issue on the [REDACTED], the limit will be equivalent to [REDACTED] Shares, representing 10% of the Shares in issue as at the [REDACTED].

(ii) Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all Options and any other share option schemes of our Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.

(iii) Our Company may also grant Options beyond the 10% limit by seeking Shareholders' approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. In such event, our Company shall send a circular to its Shareholders containing a generic description of the specified Grantees who may be granted such Options, the number and terms of such Options to be granted, the purpose of granting such Options, an explanation as to how the terms of the Options serve such purpose and the information required by the Listing Rules.

(iv) Notwithstanding the foregoing, our Company must not grant any options if the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company, exceed 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(v) The exercise of any Option(s) shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of Shares upon exercise of Options.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by our Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. Our Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

(g) Rights are personal to grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Option or part thereof granted to such Grantee (to the extent no already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Grantee dies before exercising the Options in full, his legal personal representative(s) may exercise the Options in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of 12 months from the date of death, failing which such Option will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

(i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or

(ii) the subscription price; and/or

(iii) the method of exercise of the Option; and/or

(iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above

Our Company's independent financial adviser or auditors shall certify in writing to our Board as to whether the corresponding alterations are in their opinion fair and reasonable. Any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less that is nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrations and their certification, in the absence of manifest error, shall be final and binding on our Company and the Participants. The cost of our independent financial advisers and the auditors shall be borne by us.

(j) Rights on take-over

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to us in exercise of the Option at any time with 14 days after the date on which such offer becomes or is declared unconditional.

(k) Rights on a compromise or arrangement

(i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, and his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon we shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which

such compromise or arrangement is sanctioned by the Court be entitled to exercise his Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. We may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Rights of Grantee ceasing to be a Participant

In the event of the Grantee ceasing to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(iv) below, then, if the Option Period has not at the date of such cessation commenced, the Option shall lapse and if the Option Period has commenced, the Grantee may exercise the Option in accordance with the Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine.

(m) Lapse on option

An Option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);

(ii) the expiry of any periods referred to in paragraphs (h) and (l);

(iii) the date on which the offer (or the case may be, revised offer) referred to in subparagraph (j) above closes;

(iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;

(v) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant Subsidiary or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant Subsidiary or the

board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;

(vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;

(vii) the date on which the Grantee commits a breach of sub-paragraph (g) above; or

(viii) if our Directors at their absolute discretion determine that the Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, our Directors shall determine that the outstanding Options granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(n) Ranking of Shares

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will carry the same rights in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is reopened. A Share allotted upon exercise of an Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

(o) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors.

Where our Company elects to cancel Options and issue new ones to the same Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders.

(p) The Scheme Period

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

(q) Alteration and termination of Share Option Scheme

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of participants except (i) with the approval of the Shareholders in general meeting; or (ii) where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Board in relation to any alteration to the term of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules and no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered. On termination, the provision of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(r) Granting of option to a Director, chief executive of our Company or substantial Shareholder or any of their associates

Where options are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 17.04(1) of the Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the relevant class of Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5.0 million,

then the proposed grant of options must be approved by the Shareholders in a general meeting. At such general meeting, the grantee, his associates and all core connected persons of our Company must abstain from voting, unless they intend to vote against the proposed grant and provided that his intention to do so has been stated in the circular. Our Company will send a circular to our Shareholders containing all the information required under the Listing Rules, including (i) details of the number and terms of the Options (including the Option period, performance targets (if any), basis of determination of subscription price and the rights attached to the Shares or the Option) to be granted to each substantial Shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the Shareholders meeting, and the date of our Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the independent nonexecutive Directors (excluding any independent non-executive Director who is a Grantee of the Options) to the independent Shareholders as to voting; and (iii) all other information as required by the Listing Rules.

In addition, any change in the terms of the Option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting.

The requirements for the grant of an option to a Director or chief executive of our Company set out in Rules 17.04(1), (2) and (3) of the Listing Rules shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval of the listing of and permission to deal in the Shares which fall to be issued upon exercise of the Options granted under the Share Option Scheme; and (ii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under Share Option Scheme and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (the "Indemnifiers") have, under a Deed of Indemnity as referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of any property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the [REDACTED];

(b) taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the [REDACTED] or any event or transaction on or before the [REDACTED] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

(c) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly incur in connection with:

    (i) the investigation, assessment or contesting of any claim under (b) above;

    (ii) the settlement of any claim under the Deed of Indemnity;

(iii) any legal or arbitration proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment, award or decision is given in favour of any member of our Group; or

(iv) the enforcement of any such settlement or decision or judgment or award.

Under the Deed of Indemnity, the Indemnifiers have also jointly and severally agreed and undertaken to indemnify the members of our Group and at all times keep them fully indemnified on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any violations or breaches or non-compliance of any laws, rules or regulations and/or all litigations, arbitrations, claims, complaints, demands and/or legal proceedings by or against any of the member of our Group in Hong Kong, the Cayman Islands, BVI or any other part of the world, which was issued, accrued and/or arising from any act of any of the member of our Group at any time on or before the [REDACTED], including but not limited to the potential claims as set out in the section headed "Business – Litigation and potential claims" in this document.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation, among other things:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group up to 30 April 2017;

(b) to taxation falling on any member of our Group in respect of their accounting periods or any accounting period commencing after 30 April 2017 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group with the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the [REDACTED], or carried out, made or entered into pursuant to a legally binding commitment created on or before the [REDACTED] or pursuant to any statement of intention made in this document;

(c) to the extent that such taxation arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority coming into force after the [REDACTED] or to the extent that such taxation arises or is increased by an increase in rates of taxation after the [REDACTED] with retrospective effect;

(d) to the extent that such taxation is discharged by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of the taxation; or

(e) to the extent of any provision or reserve made for taxation in the audited accounts referred to in sub-paragraph (a) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of taxation shall not be available in respect of any such liability arising thereafter.

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 Company.

2. Litigation

Our Directors confirmed that save as disclosed in the section headed "Business – Litigation and potential claims" of this document as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme.

The fee payable by our Company to the Sole Sponsor to act as sponsor in relation to the Listing is approximately HK$5.6 million, and the Sole Sponsor will be reimbursed for their expenses properly incurred in connection with the [REDACTED]. The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK$40,800 and are payable by our Company.

5. Promoter

Our Company has no promoter.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

Name	Qualifications
RHB Capital Hong Kong Limited	a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants
Appleby	Legal adviser to our Company as to the laws of the Cayman Islands
Mr. Chan Chung	Barrister-at-law of Hong Kong
CT Partners Consultants Limited	Internal control adviser
Global Vision CPA Limited	Certified Public Accountants
Ipsos Limited	Industry research consultant

7. Consents of experts

Each of the experts named in the sub-paragraph headed "6. Qualifications of experts" in this appendix has given and has not withdrawn its/his written consent to the issue of this document, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his name included herein in the form and context in which they respectively appear.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Ordinance registration procedures

The principal share register of our Company in the Cayman Islands will be maintained by [REDACTED] and a branch share register of our Company will be maintained by [REDACTED] our Hong Kong Branch Share Registrar. 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 Hong Kong 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.

10. No material adverse change

Save as disclosed in the section headed "Financial information – No material adverse change" in this document, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 April 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(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 the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Particulars of Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Flourish Team Limited
Registered Address:	Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	[REDACTED]

13. Miscellaneous

Save as disclosed in this document:

(i) within the three years immediately preceding the date of this document other than as disclosed in the section headed "History and development" in this document and in this appendix to this document:

(aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) 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 its 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 its subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;

(ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;

(iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(iv) 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 document;

(v) none of the experts named in the sub-paragraph headed "6. Qualifications of experts" in this appendix:

(aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or

(bb) 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;

(vi) our Company and our subsidiaries do 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;

(vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(viii) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and

(ix) our Group has no outstanding convertible debt securities.

14. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this document shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

i. copies of [REDACTED];

ii. the written consents referred to in the section headed "Statutory and general information – E. Other information – 7. Consents of experts" in Appendix IV to this document;

iii. a copy of each of the material contracts referred to in the section headed "Statutory and general information – B. Further information about the business – 1. Summary of material contracts" in Appendix IV to this document; and

iv. statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Guantao & Chow Solicitors and Notaries at Suites 1604-6, 16th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

i. the Memorandum and the Articles;

ii. the Accountants' Report and the report on unaudited pro forma financial information prepared by Grant Thornton Hong Kong Limited, the texts of which are set out in Appendices I and II to this document;

iii. the audited combined financial statements of the companies comprising our Group for FY2014, FY2015, FY2016 and 4M2017;

iv. the letter of advice from Appleby, our Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;

v. the legal opinion dated the date of this document prepared by Mr. Chan Chung;

vi. the report on internal control review dated the date of this document prepared by CT Partners Consultants Limited in relation to the non-compliance incidents;

vii. the tax opinion dated the date of this document prepared by Global Vision CPA Limited;

viii. the industry report dated the date of this document prepared by Ipsos Limited referred to in the section headed "Industry overview" in this document;

ix. the material contracts referred to in the section headed "Statutory and general information – B. Further information about the business – 1. Summary of material contracts" in Appendix IV to this document;

x. the written consents referred to in the section headed "Statutory and general information – E. Other information – 7. Consents of experts" in Appendix IV to this document;

xi. the service agreements and letters of appointment of each of our Directors referred to in the section headed "Statutory and general information – C. Further information about Substantial Shareholders, Directors and experts – 2. Particulars of service agreements" in Appendix IV to this document;

xii. the Companies Law;

xiii. the rules of the Share Option Scheme; and

xiv. statement of particulars of the Selling Shareholder.