
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan will control, in aggregate, more than [REDACTED]% of the issued share capital of our Company. Mr. Cheung and Mr. Chan have had a mutual understanding all along to actively cooperate with each other to jointly control our Group. Given the aforesaid and for the purpose of the GEM Listing Rules, Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan are a group of our Controlling Shareholders. Sino Continent and Supreme Voyage are investment holding companies wholly-owned by Mr. Cheung and Mr. Chan, respectively, and as at the Latest Practicable Date, they have not commenced any substantive business activities. Each of Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan confirms that, other than members of our Group and save as disclosed in the paragraph headed "Non-Competition" in this section, he or it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

Both Mr. Chan and Mr. Cheung have been directors of Kingland Concrete since its establishment in 1985 and Mr. Chan was a founding shareholder of Kingland Concrete. In around 1990, Mr. Cheung subscribed for 100 shares in Kingland Concrete (the "Subscription"). After the Subscription in 1990, the shareholding of Kingland Concrete was equally divided among Mr. Chan, Mr. Cheung and the Individual. After the shareholders' dispute with the Individual which started in 2000, the Individual no longer took part in the control and operation of Kingland Concrete notwithstanding the fact that the shares of Kingland Concrete held by the Individual was only transferred to Mr. Chan and Mr. Cheung in 2014. Since Mr. Chan and Mr. Cheung, each holding equal shareholding in Kingland Concrete, were the only shareholders who exercised actual control and management of our Group after the shareholders' dispute until the introduction of pre-[REDACTED] investment in December 2015, our Group could operate only if Mr. Chan and Mr. Cheung actively cooperate with each other to jointly control each operating subsidiary of our Group. It is in this context that (i) Mr. Chan and Mr. Cheung have taken part in the management of our Group for more than 30 years, and (ii) they have been exercising joint control of our Group for more than 15 years.

Under the Takeovers Code, parties who, pursuant to an informal understanding, actively cooperate to obtain or consolidate control of a company through the acquisition by either of them of voting rights of the company, are presumed to be acting in concert. Therefore, in view of (i) Mr. Chan and Mr. Cheung's participation in the history of our business, and (ii) their mutual understanding and cooperation in exercising long-term joint control over our Group, Mr. Chan and Mr. Cheung are presumed to be acting in concert (within the meaning of the Takeovers Code). Immediately following the completion of the [REDACTED] and the [REDACTED], our Company will be owned as to [REDACTED]% and [REDACTED]% by Mr. Cheung (through his wholly-owned company, Sino Continent) and Mr. Chan (through his wholly-owned company, Supreme Voyage), respectively. Given that Mr. Cheung and Mr. Chan are presumed to be acting in concert (within the meaning of the Takeovers Code), they

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will together control approximately [REDACTED]% of our entire issued share capital upon [REDACTED], and each of them individually will be deemed as our Controlling Shareholders.

INDEPENDENCE OF OUR GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders and their close associates or any other parties after the [REDACTED]:

Management and administrative independence

The Board comprises two executive Directors, namely Mr. Cheung and Mr. Chan, one non-executive Director namely Mr. Kuan Hong Kin Daniel and three independent non-executive Directors namely Mr. Chan Ngai Sang Kenny, Mr. Chow Chun To and Mr. Yam Chiu Fan Joseph. Mr. Cheung is the sole director of Sino Continent while Mr. Chan is the sole director of Supreme Voyage. Sino Continent and Supreme Voyage are Controlling Shareholders of our Company and the investment vehicles of Mr. Cheung and Mr. Chan in holding the Shares, respectively. Save as disclosed above, none of our Directors or senior management serves any executive or management role in Sino Continent and/or Supreme Voyage or any of their respective associates.

Each of our Directors is aware of his fiduciary duties as a Director which requires, among other things, that he 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. 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 close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management of our Group is independent from our Controlling Shareholders. The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board.

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our senior management are set out in the section headed "Directors and Senior Management" in this document.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources to support our daily operations.

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During the Track Record Period, our Group has relied principally on cash generated from operations and finance lease to carry on its businesses and this is expected to continue after the [REDACTED].

During the Track Record Period, our Controlling Shareholders, namely Mr. Cheung and Mr. Chan, had provided personal guarantees in respect of certain finance lease liabilities of our Group. Please refer to note 28 of Section II in the Accountants’ Report in Appendix I to this document for details of the balances of our finance lease liabilities guaranteed by Mr. Cheung and Mr. Chan during the Track Record Period. Our Group irrevocably undertake that, save for the amount of finance lease liabilities of approximately HK\$1.0 million which should be repaid after the Track Record Period and up to the [REDACTED] in accordance with the relevant repayment schedule, the remaining finance lease liabilities will be repaid within the first six months after [REDACTED], financed by the net proceeds of the [REDACTED]. As at 30 June 2016, the amount incurred in the early settlement of finance leases is expected to be approximately HK\$62,000. For details of the settlement of the aforesaid finance leases, please refer to the section headed “Future Plans and Use of Proceeds” in this document.

During the Track Record Period, our Group has certain amounts due from or to related companies and our Controlling Shareholders. Please refer to notes 17 to 19 of Section 2 in the Accountants’ Report in Appendix I to this document for details. Such amounts due from or to related companies and our Controlling Shareholders will be fully settled on or before [REDACTED].

In view of the above, our Directors are of the view that our Group will be financially independent from the Controlling Shareholders after the [REDACTED].

Operational independence

During the Track Record Period and up to the Latest Practicable Date, our Group has entered into one contract (the “**Guaranteed Contract**”) in the contract sum of HK\$2.25 million which involved performance guarantee with Customer D1. Pursuant to the performance guarantee, Mr. Cheung, a Controlling Shareholder and an executive Director, has given performance guarantee in favour of Customer D1 as security for the due performance and observance of our Group’s obligations under the Guaranteed Contract in respect of work safety, industrial health and environmental protection matters. Mr. Cheung has also undertaken to indemnify Customer D1 for all losses, damages or fines resulting from our Group’s failure to comply with relevant laws and regulations in relation to work safety, industrial health and environmental protection matters under the Guaranteed Contract.

As at the Latest Practicable Date, the works to be performed by our Group under the Guaranteed Contract were substantially completed. Considering the stage of completion, our Directors consider it may not be feasible to arrange for the release of the performance guarantee given by Mr. Cheung.

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Our Directors confirm that it is not uncommon for main contractors to require directors and/or shareholders of subcontractors to provide performance guarantee in the contractors to ensure the subcontractor's due performance and observance of the contract. As the main works under the Guaranteed Contract were already completed, our Directors believe that our Group will be capable of complying with the terms and conditions of the Guaranteed Contracts without triggering enforcement of the performance guarantee given by Mr. Cheung. During the Track Record Period and up to the Latest Practicable Date, no enforcement or performance guarantee given by our Controlling Shareholders was triggered and our Group has duly complied with the terms and conditions of the Guaranteed Contracts in all material respects.

Further, our Group currently leased certain premises at Fu Hop Factory Building, Nos. 209 & 211, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong for its operation (the "**Premises**"). The tenancy for Units A & D, 1st Floor of the Premises (the "**1st Floor Premises**") was secured by performance guarantee by Mr. Cheung and Mr. Chan. Meanwhile, the tenancy for Flat B, Ground Floor of the Premises (the "**Ground Floor Premises**") was secured by performance guarantee by Mr. Cheung. Pursuant to the performance guarantees, Mr. Cheung and/or Mr. Chan have given performance guarantees in favour of the landlords as security for the due and punctual performance and observance of our Group's obligations under the respective tenancies between our Group and the landlord. If our Group fails to pay any sum payable by us to the landlords, Mr. Cheung and/or Mr. Chan will be required to pay that sum to the landlords on demand.

The performance guarantee given in respect of the tenancy for the 1st Floor Premises and the Ground Floor Premises will be released before or upon [REDACTED] and/or replaced by our Company's corporate guarantee upon [REDACTED]. As at the Latest Practicable Date, we are in the course of negotiation with the landlord regarding the renewal of the lease of the 1st Floor Premises, and we did not receive any request for performance guarantee to be given in respect of the renewed tenancy.

Our Group has established our own organizational structure made of individual departments, each with specific areas of responsibilities. Our Group did not share our operational resources, such as contractors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of its business. Our Group's major customers, major suppliers and major subcontractors are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has its independent access to customers, suppliers and subcontractors. Our Directors are of the view that our Group is able to operate independently from the Controlling Shareholders after the [REDACTED].

Independence of major suppliers and major subcontractors

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any of the top five suppliers and top five subcontractors of our Group during the Track Record Period.

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Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any of the top five customers of our Group during the Track Record Period.

Having considered the aforesaid factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates.

UNDERTAKINGS FROM OUR CONTROLLING SHAREHOLDERS

Pursuant to rule 13.16A of the GEM Listing Rules, and subject to the irrevocable 30-month Lock-up Undertakings (as defined and further described in the paragraph below) to the Stock Exchange, Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan [have jointly undertaken] to the Stock Exchange that they shall not and shall procure that the relevant registered holder of the Shares in which either of them is shown in this document to be beneficial owner (the "**Relevant Securities**") shall not:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this document and ending on the date which is six months from the [REDACTED] Date (the "**First 6-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer in respect of which either of them is shown by this document to be the beneficial owner(s); or
- (b) in the period of 6 months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they collectively would cease to be Controlling Shareholders.

Further, pursuant to rule 13.19 of the GEM Listing Rules and under the 30-month Lock-up Undertakings (as defined and further described in the paragraph below), during the 30 months from the [REDACTED] Date, Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan [have jointly undertaken] to the Stock Exchange that:

- (a) in the event that either of them pledges or charges any direct or indirect interest in relevant securities under rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to rule 13.18(4) of the GEM Listing Rules, at any time during the relevant periods specified in rule 13.16A of the GEM Listing Rules, he must inform our Company immediately thereafter, disclosing the details specified in rule 17.43(1) to (4) of the GEM Listing Rules; and

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- (b) having pledged or charged any interest in securities under paragraph (a) above, either of them must inform our Company immediately in the event that he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan have jointly given an irrevocable lock-up undertaking (the "**Lock-up Undertakings**") to the Stock Exchange, pursuant to which they will not: (i) during the First 6-Month Period, among others, dispose of the Shares held by them; and (ii) during the 24 months immediately following the expiry of the First 6-Month Period, among others, make any disposal of Shares, if following such disposal, they collectively would cease to be Controlling Shareholders. Each of our Controlling Shareholders and executive Directors [has] also given the same Lock-up Undertakings in favour of our Company, the Sponsor, the Bookrunner, the Lead Manager and the Underwriter pursuant to the Underwriting Agreement. For further details, please refer to the section headed "Undertaking – Underwriting arrangements and expenses" in this document.

NON-COMPETITION

During the Track Record Period and up to the Latest Practicable Date, our Controlling Shareholders, Mr. Chan and Mr. Cheung are interested in Kingland Guangzhou and Kingland Concrete (collectively, the "**Excluded Companies**"). Details of the Excluded Companies have been disclosed in the section headed "History and Development – Excluded companies" of this document. Our Directors do not regard the Excluded Companies and our Group as directly competing with each other due to, among others, geographical differences or business nature.

Our Directors are of the view that there is a clear delineation of business between Kingland Guangzhou and our Group and thus Kingland Guangzhou does not compete with our Group, based on the following reasons:

- Kingland Guangzhou is engaged in the provision of concrete demotion services in the PRC only. Therefore, geographical delineation demonstrates absence of competition between them and our Group;
- there was no overlapping in the individual customers of Kingland Guangzhou and our Group during the Track Record Period;
- the operations of Kingland Guangzhou and our Group were undertaken by two distinct and different groups of individuals during the Track Record Period; and
- as at the Latest Practicable Date, our Directors intended to focus our Group's business in the Hong Kong and Macau markets, and presently does not plan to expand our business to the PRC. Each of our Controlling Shareholders has undertaken that, in the event our Group intends to expand its business to the PRC in the future, he/it shall: (i) disclose his/its interest in Kingland Guangzhou to our Board; (ii) abstain from participating in and voting at and shall not be counted as quorum at such meetings of the Board regarding such expansion in the PRC; (iii)

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by way of first right of refusal, offer his/its interest in Kingland Guangzhou or any related business opportunities to our Group pursuant to the Deed of Non-Competition, details of which are disclosed in the paragraph headed "Non-competition Undertakings" in this section; and (iv) cease the business operation of Kingland Guangzhou if our Group declines to exercise the first right of refusal in acquiring his/its interest in it, and he/it fails to dispose of such interest to Independent Third Party(ies) on terms no more favourable than those offered to our Group.

Following the Transfer of Business, Kingland Concrete had ceased its business operation. As at the Latest Practicable Date, Kingland Concrete was holding the interest in 42% of the issued capital of Shanghai Longxin. To the best knowledge of our Directors, Shanghai Longxin has no operation and currently does not plan to resume any operation. Therefore, we consider there is no competition between Kingland Concrete and our Group.

RULE 11.04 OF THE GEM LISTING RULES

Save as disclosed in the paragraph headed "Non-Competition" in this section, our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan (each the "Covenantor" and collectively the "Covenantors") entered into Deed of Non-competition dated [●] 2016 in favour of our Company and our subsidiaries. Pursuant to the Deed of Non-competition, each of the Covenantors has jointly and severally, and irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group), among other things, not to carry on or be engaged, concerned with or interested in or otherwise be involved in directly or indirectly, in any business in competition with or likely to be in competition with the then existing business activity of any member of our Group within Hong Kong, Macau and such other parts of the world where any member of our Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its close associates).

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall, and shall procure that his/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days upon receipt of the

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written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Covenantor(s) shall, and shall procure the other conflicting Directors (if any), to abstain from participating in and voting at and not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) our independent non-executive Directors shall review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Covenantors undertakes to provide any information as is reasonably required by our Group or our independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and
- (c) each of the Covenantors undertakes to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition, and to provide an annual confirmation on the compliance of the non-competition undertaking for inclusion in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the granting of the approval for the [REDACTED] of and permission to [REDACTED] in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreement (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this document, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall remain effective until the date on which (i) in relation to the Covenantors and their close associates cease to be interested in 30% or more of the entire issued share capital of our Company or are otherwise ceased to be regarded as controlling shareholders under the GEM Listing Rules; or (ii) our Shares cease to be [REDACTED] and [REDACTED] on the Stock Exchange (except for temporary [REDACTED] halt or suspension of [REDACTED] of the Shares on the Stock Exchange due to any reason).

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As our Controlling Shareholders have given non-competition undertakings in favour of our Company, and other than members of our Group, none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders following the [REDACTED].

Other than members of our Group, none of our Controlling Shareholders and our Directors or their respective close associates has interests in any business which competes or is likely to compete with the business of our Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;
- (b) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (c) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (e) our Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (f) we have appointed [Ample Capital Limited] as our compliance adviser to provide advice and guidance to us in respect of compliance with applicable laws and regulations, as well as the GEM Listing Rules, including various requirements relating to corporate governance;
- (g) our independent non-executive Directors will be responsible for deciding whether or not to allow any controlling Shareholder and/or his/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of our Group within Hong Kong, Macau and such other parts of the world where any member of our Group may operate from time to time and if so, any condition to be imposed; and

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- (h) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and/or our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.