

SUMMARY

BUSINESS OVERVIEW

We are an established subcontractor engaged in concrete demolition works in Hong Kong and Macau. Our services are mainly required in the removal of pieces or sections of concrete from concrete structures and the demolition of the entire concrete structures or buildings by applying a variety of methods, such as core drilling, sawing and crushing.

The following table sets out a breakdown of our revenue and number of jobs by location during the Track Record Period:

	Year ended 31 December 2014			Year ended 31 December 2015			Six months ended 30 June 2015			Six months ended 30 June 2016		
	Number of jobs	Revenue (HK\$'000)	% of total revenue	Number of jobs	Revenue (HK\$'000)	% of total revenue	Number of jobs	Revenue (HK\$'000)	% of total revenue	Number of jobs	Revenue (HK\$'000)	% of total revenue
Hong Kong	155	61,344	52.4	212	108,432	90.3	116	40,685	79.6	83	56,243	92.6
Macau	5	55,785	47.6	20	11,640	9.7	14	10,442	20.4	3	4,501	7.4
	<u>160</u>	<u>117,129</u>	<u>100.0</u>	<u>232</u>	<u>120,072</u>	<u>100.0</u>	<u>130</u>	<u>51,127</u>	<u>100.0</u>	<u>86</u>	<u>60,744</u>	<u>100.0</u>

Our revenue increased by 2.5% from approximately HK\$117.1 million for the year ended 31 December 2014 to HK\$120.1 million for the year ended 31 December 2015. The revenue from customers in Hong Kong increased by 76.8% from approximately HK\$61.3 million to approximately HK\$108.4 million during the same periods. Such increase was primarily due to the increase in the number of jobs in Hong Kong in the year ended 31 December 2015. The revenue from customers in Macau decreased by 79.1% from approximately HK\$55.8 million for the year ended 31 December 2014 to approximately HK\$11.6 million for the year ended 31 December 2015. Such decrease was primarily due to (i) job C1 was substantially finished in the year ended 31 December 2014 (meaning that over 80% of the total job C1 revenue has been recognised); and (ii) we did not involve in any other sizable job in Macau that was comparable to job C1 in terms of revenue generated. The revenue from customers in Macau thus decreased from 47.6% to 9.7% of our total revenue.

Our revenue increased by 18.8% from approximately HK\$51.1 million for the six months ended 30 June 2015 to approximately HK\$60.7 million for the six months ended 30 June 2016. The revenue from customers in Hong Kong increased by 38.2% from approximately HK\$40.7 million to approximately HK\$56.2 million during the same periods. We have recorded an increase in our revenue mainly due to the increase in sizeable jobs for the six months ended 30 June 2016 despite the decrease in the number of jobs undertaken from 130 to 86 jobs for the six months ended 30 June 2015 to the same period in 2016, representing a decrease of 33.8%. For the six months ended 30 June 2016, we were involved in sizeable jobs C13, C10, C9, C11 and C15 in Hong Kong in terms of revenue generated. The revenue from customers in Macau decreased by 56.9% from approximately HK\$10.4 million for the six months ended 30 June 2015 to approximately HK\$4.5 million for the six months ended 30 June 2016. Such decrease was primarily because most of the revenue has been recognised in 2015 for job C1 and we did not involve in other sizable job in Macau that was comparable to job C1 in terms of revenue generated for the six months ended 30 June 2016.

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The following table sets out a breakdown of our Group's revenue during the Track Record Period by sector in Hong Kong and Macau, respectively:

	Year ended 31 December 2014		Year ended 31 December 2015		Six months ended 30 June 2016	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Hong Kong						
– Public sector jobs	55,882	47.7	59,277	49.4	42,479	69.9
– Private sector jobs	<u>5,462</u>	<u>4.7</u>	<u>49,155</u>	<u>40.9</u>	<u>13,764</u>	<u>22.7</u>
	61,344	52.4	108,432	90.3	56,243	92.6
Macau						
– Public sector jobs	Nil	Nil	Nil	Nil	Nil	Nil
– Private sector jobs	<u>55,785</u>	<u>47.6</u>	<u>11,640</u>	<u>9.7</u>	<u>4,501</u>	<u>7.4</u>
	55,785	47.6	11,640	9.7	4,501	7.4
	<u><u>117,129</u></u>	<u><u>100.0</u></u>	<u><u>120,072</u></u>	<u><u>100.0</u></u>	<u><u>60,744</u></u>	<u><u>100.0</u></u>

The following table sets out the percentage of the revenue derived and number of jobs awarded to our Group during the Track Record Period from main contractors and subcontractors and others, respectively:

By Revenue

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the six months ended 30 June 2016
	<i>% of total revenue</i>	<i>% of total revenue</i>	<i>% of total revenue</i>
Main contractors	98.5	90.4	95.2
Subcontractors and others <i>(Note)</i>	<u>1.5</u>	<u>9.6</u>	<u>4.8</u>
Total	<u><u>100.0</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>

By Number of Job

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the six months ended 30 June 2016
	<i>% of number of job</i>	<i>% of number of job</i>	<i>% of number of job</i>
Main contractors	72.5	72.8	84.9
Subcontractors and others <i>(Note)</i>	<u>27.5</u>	<u>27.2</u>	<u>15.1</u>
Total	<u><u>100.0</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>

Note: These refer to subcontractors and other entities involved in the construction projects.

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On-going Jobs

The following table sets out a breakdown of the number, contract sum and outstanding contract sum of our Group’s on-going jobs (either in progress or yet to be commenced) as at 31 December 2014 and 2015 and 30 June 2016 and as at the Latest Practicable Date:

	As at 31 December 2014			As at 31 December 2015			As at 30 June 2016			As at the Latest Practicable Date		
	Number of on-going jobs	Contract sum (HK\$'000)	Outstanding contract sum (HK\$'000) (Note 2)	Number of on-going jobs	Contract sum (HK\$'000)	Outstanding contract sum (HK\$'000) (Note 2)	Number of on-going jobs	Contract sum (HK\$'000)	Outstanding contract sum (HK\$'000) (Note 2)	Number of on-going jobs (Note 1)	Contract sum (HK\$'000)	Outstanding contract sum (HK\$'000) (Notes 2 & 3)
Hong Kong	6	63,602	26,133	9	148,701	67,279	15	146,904	90,997	14	146,904	68,053
Macau	1	74,533	10,044	1	2,173	2,173	1	2,173	102	-	-	-
	<u>7</u>	<u>138,135</u>	<u>36,177</u>	<u>10</u>	<u>150,874</u>	<u>69,452</u>	<u>16</u>	<u>149,077</u>	<u>91,099</u>	<u>14</u>	<u>146,904</u>	<u>68,053</u>

Notes:

- Out of the 14 on-going jobs as at the Latest Practicable Date, 3 jobs were to be commenced and 11 jobs were in progress. These on-going jobs are expected to be completed by 2018, and the total outstanding contract sum of these jobs was approximately HK\$68.1 million.
- Outstanding contract sum as at the end of the financial year is the remaining amount of the contract sum excluding the revenue recognised as at the end of the financial year.
- The expected outstanding contract sum is assessed solely based on the 14 on-going jobs (either in progress or yet to be commenced) as at the Latest Practicable Date, without taking into account new jobs which we may undertake from time to time in the future. The expected outstanding contract sum is determined based on our management’s best estimation. In making the estimation, our management considers the contract sum of our on-going jobs (either in progress or yet to be commenced) and the actual work done.

Customers, suppliers and subcontractors

In general, our customers are main contractors in various different types of construction and civil engineering projects in Hong Kong and construction projects in Macau. Our goods and services providers mainly include (i) subcontractors; (ii) lessors of machineries; (iii) suppliers of consumables such as saw blades, cutting wires and core bits as well as machinery parts; and (iv) suppliers of other miscellaneous services such as the transportation of machineries and construction waste such as cut-out sections of concrete and other demolition debris and materials. Depending on the availability of our labour resources, we may subcontract works to other subcontractors. For the Track Record Period, we engaged more than ten subcontractors in carrying out our jobs. You may refer to the section headed “Business” on pages 128 to 144 of this document for details of our customers, suppliers and subcontractors.

Success rates of tender and/or quotation

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we submitted 328, 334 and 206 tenders and/or quotations, respectively and had been awarded 187, 240 and 91 job engagements, respectively. As such, the success rate for the same period was approximately 57.0%, 71.9% and 44.2%, respectively. You may refer to the section headed “Business – Sales and marketing” on page 152 of this document for details.

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OPERATION FLOW

Preliminary assessment and preparation of quotation and/or tender document

During the Track Record Period, we secured new businesses mainly through direct invitation to tender or request for quotation by customers. We will submit tender and/or quotation to our customers based on our on-site inspection (if any) and/or information available to us. We generally prepare the tenders and/or quotations based on the estimated costs to be incurred plus a certain mark-up margin. Our tenders and/or quotations generally contain a schedule of rate which sets out the fee in relation to each work task to be carried out, subject to re-measurement. For jobs with certain customers, the contract sum may be a fixed lump sum price.

Quotation and/or tender selection process

Before we are formally engaged, depending on the complexity of the jobs, our customers may need to review our proposal and carry out face-to-face interviews with us to discuss the feasibility of our proposed demolition approach, solutions to possible site constraints as well as the terms of engagement.

In general, our customers will confirm their engagement with us by directly placing work orders which contain the key terms of the contracts including terms of payments, volume of demolition works and expected delivery date. For sizeable jobs, our customers may prefer entering into a formal agreement which sets out the detailed terms of the engagement with us.

Formation of the project management team

Once we are awarded with a job, depending on the job size, we will form a project management team, which is normally headed by our chief technical officer, Mr. Mak, and comprises a general foreman and a safety supervisor. Depending on the complexity of the works, our project management team may include additional supervisory staff.

Execution

Our workers and subcontractors are required to carry out the works in accordance with our proposal as well as customers' requirements. Upon requests from our customers, Mr. Mak or members of the project management team, may attend the work sites to oversee the performance of works which is considered to be complicated, or involving high safety requirements. Our management considers a job is practically completed when we submit the final invoice which states the outstanding amount to be certified to our customers.

Progress payment

After being awarded with a job, we generally do not receive any sums as prepayment from our customer. Based on our works done, we will submit to our customer a payment application stating the works completed by us on a monthly basis. Once our customer has assessed and certified the amount, we will issue invoice to our customer. We usually grant our customer a credit period ranging from 14 to 60 days from the date of issue of our invoice.

Our customer usually has the right to withhold 10% of each progress payment due to us as retention money. In general, the total amount of retention money will not exceed 5% of the contract sum. Pursuant to our contract, half of the retention money is released upon our submission of the final invoice to our customer and the remaining half of the retention money would be released after three to 12 months.

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Supplemental or variation orders from our customers

Depending on the terms and conditions of the contracts, the main contractors may give instructions to vary the works as agreed in the initial quotations and/or tenders. Such variation orders may include addition, modification or cancellation of works. The value of the variation works is generally determined with reference to the supplemental quotations, and the total contract sum of the job will be adjusted accordingly.

Defect liability period

As our work is mainly concerned with demolition and removal of concrete, our Directors generally do not expect any follow-up maintenance or rectification work to be necessary after practical completion of our job. Therefore, our Directors consider that the possibility of any request for maintenance or rectification work is low. Depending on the terms and conditions of the contract, we generally do not grant any defect liability period to our customers. In some cases, however, we may be required to provide a defect liability period of three to 12 months upon practical completion of the job. During the Track Record Period, we did not experience any request from our customers for material follow-up maintenance or rectification works.

Employees and work injuries

As at the Latest Practicable Date, we had 106 full-time employees (including our two executive Directors but excluding our non-executive Director and three independent non-executive Directors) who were all directly employed by our Group in Hong Kong. Our staff cost under cost of sales amounted to approximately HK\$24.2 million, HK\$20.2 million and HK\$12.2 million (representing approximately 28.5%, 24.6% and 28.5% of our total cost of sales) for each of the two years ended 31 December 2014, 2015 and the six months ended 30 June 2016, respectively.

We maintain an internal record of all accidents involving our employees during the course of employment. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we recorded one, four and three work injuries of our employees in Hong Kong, and nil, one and nil work injury of our employee in Macau, respectively. From 1 July 2016 up to the Latest Practicable Date, we recorded two work injuries of our employee in Hong Kong.

COMPETITIVE STRENGTHS

- Well-established presence in the concrete demolition industry in Hong Kong and Macau.
- An established fleet of concrete demolition machineries.
- In-house mechanics to repair and maintain our machineries.
- Long-term relationships with a number of our top five customers and suppliers.
- Our experienced and dedicated management team.

COMPETITIVE LANDSCAPE

According to the Ipsos Report, the revenue of our Group represented 7.2% of the total revenue of the concrete demolition industry in Hong Kong in 2015, and ranked first among concrete demolition service providers in Hong Kong in terms of total industry revenue in 2015. For details of the competitive landscape of concrete demolition industry in Hong Kong and Macau, please refer to the section headed "Industry Overview – Competitive Landscape and Entry Barriers" in this document.

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BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position as an established concrete demolition service provider in Hong Kong and Macau.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds to be received by us from the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative range of the [REDACTED]), after deducting related expenses to be borne by us, are estimated to be approximately HK\$[REDACTED] million. Our Directors presently intend that the net proceeds will be applied as follows:

Usage	Approximate percentage or amount of net proceeds to be applied
Further enhancing our machineries	[REDACTED]% or HK\$[REDACTED] million
Further strengthening our manpower	[REDACTED]% or HK\$[REDACTED] million
Reserving more capital to satisfy our potential customers' requirement for performance bond	[REDACTED]% or HK\$[REDACTED] million
Settlement of finance lease liabilities	[REDACTED]% or HK\$[REDACTED] million
Working capital	[REDACTED]% or HK\$[REDACTED] million
Leasing an additional warehouse	[REDACTED]% or HK\$[REDACTED] million

For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this document.

SELECTED KEY FINANCIAL DATA

The following is a summary of the combined statement of profit or loss and other comprehensive income of our Group for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 extracted from the accountants' report, the text of which is set out in Appendix I to this document. This summary should be read in conjunction with the accountants' report as set out in Appendix I to this document.

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015 <i>(unaudited)</i>	2016
Turnover (HK\$'000)	117,129	120,072	51,127	60,744
Gross profit (HK\$'000)	32,287	38,066	16,638	17,709
<i>Gross profit margin</i>	27.6%	31.7%	32.5%	29.2%
Profit and total comprehensive income for the year/period attributable to owners of the Company (HK\$'000)	10,276	14,197	6,944	2,037
<i>Net profit margin</i>	8.8%	11.8%	13.6%	13.4%

As for year ended 31 December 2014, turnover and gross profit of our Group was approximately HK\$117.1 million and HK\$32.3 million, respectively and our Group took part in job C1 in Macau which contributed approximately 45.6% of the total revenue for the year 2014. Concrete demolition jobs in Hong Kong contributed 52.4% of the total revenue for the year 2014. Gross profit margin of our Group for the year ended 31 December 2014 was approximately 27.6%. Net profit and net profit margin of our Group for the year 2014 was approximately HK\$10.3 million and 8.8%, respectively.

As for the year ended 31 December 2015, turnover of our Group has a slight increase of approximately 2.5%. And approximately 90.3% of turnover of our Group was generated from the Hong Kong market. Gross profit and gross profit margin of our Group had

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increased to approximately HK\$38.1 million and 31.7%, respectively mainly due to the decrease of approximately 3.3% in cost of sales in the year 2015. Although our Group did not engage in other sizeable job comparable to job C1 in Macau in terms of revenue, our gross profit and gross profit margin increased in the year 2015 as (i) machinery rental cost in Macau decreased from approximately HK\$2.5 million to approximately HK\$4,000; (ii) the cost of materials and consumables for the Group decreased by approximately 25.8%; (iii) we incurred significantly less subcontracting charges in Macau; and (iv) we incurred additional staff cost in Macau in the year 2014 for our Hong Kong workers to temporarily stay and work in Macau. Profit and net profit margin of our Group had increased to HK\$14.2 million and 11.8%, respectively. Such increase was mainly due to the increase in gross profit.

As for the six months ended 30 June 2015, revenue and gross profit of our Group was approximately HK\$51.1 million and HK\$16.6 million, respectively and 79.6% of revenue was generated from the Hong Kong market. Gross profit margin of our Group for the six months ended 30 June 2015 was approximately 32.5%. Net profit and net profit margin of our Group for the six months ended 30 June 2015 was approximately HK\$6.9 million and 13.6%, respectively. Our Group's gross profit margin was relatively high in the six months ended 30 June 2015, as compared with each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, mainly due to the scale of jobs we undertook in the same period. As many of the jobs undertaken by us in the six months ended 30 June 2015 were relatively smaller in scale, based on the then internal resources available, our Group had performed the relevant works mainly with our own labour, and primarily relied on our own motor vehicles for transportation purpose. Therefore, our needs for subcontracting services and external transportation services were relatively lower, and this reduced the subcontracting charges and transportation costs in the same period.

As for the six months ended 30 June 2016, revenue of our Group has an increase of approximately 18.8% compared to the six months ended 30 June 2015. And approximately 92.6% of revenue was generated from the Hong Kong market for the six months ended 30 June 2016. Gross profit of our Group had increased to approximately HK\$17.7 million and the gross profit margin had decreased to approximately 29.2% mainly due to the increased cost of sales of approximately 24.8% in the six months ended 30 June 2016 as (i) the staff cost for the Group increased by approximately 33.0%; and (ii) the increase in subcontracting charges from approximately HK\$12.2 million to HK\$15.5 million. Profit and net profit margin of our Group had decreased to approximately HK\$2.0 million and 3.4%, respectively. Such decrease was mainly due to the increase in listing expenses for the six months ended 30 June 2016.

KEY FINANCIAL RATIOS

The following table sets out major financial ratios for our Group during the Track Record Period:

	As at/For the year ended		As at/For the
	31 December		six months
	2014	2015	ended 30 June
			2016
Return on equity	74.2%	35.3%	5.2%
Return on total assets	26.0%	19.8%	3.0%
Current ratio (<i>unit: times</i>)	1.6	2.3	2.4
Gearing ratio	44.3%	9.4%	9.2%
Debt-to-equity ratio	10.0%	nil	nil
Interest coverage (<i>unit: times</i>)	35.1	37.9	23.8

You may refer to the sub-section headed under the section headed "Financial information – Other key financial ratios" on pages 257 to 260 of this document for details.

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RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to 30 June 2016, our Group was awarded four sizable contracts for demolition works in Hong Kong. The aggregate contract sum of all these demolition works amounts HK\$10 million. Our Directors, based on their best estimations, expect these projects to be substantially completed in the year of 2017. Our average monthly revenue for the three months ended 30 September 2016 decreased by approximately 11.6% as compared to the average monthly revenue for the six months ended 30 June 2016. The decrease in monthly revenue was mainly because (i) the actual progress of job C11 was slower than anticipated in the three months ended 30 September 2016; and (ii) in accordance with the job schedule of the main contractor of job C10, its job site was preoccupied with the works by other contractors during the three months ended 30 September 2016, as such, only minimal amount of works were undertaken by us.

Our gross profit margin for the three months ended 30 September 2016 was slightly higher than for the six months ended 30 June 2016 by approximately 2.0%, since our subcontracting charges were relatively lower in the three months ended 30 September 2016. The decrease in subcontracting charges in the three months ended 30 September 2016 was mainly due to the status of job C11 and job C10 as mentioned above. As the progress of job C11 was slower than anticipated and only minimal amount of works were undertaken for job C10 during the same period, we have performed major parts of these jobs with our own labour, and hence there were lesser needs to outsource the works to subcontractors. Therefore, the subcontracting charges incurred in the same period were relatively lower, as compared with the six months ended 30 June 2016.

Subsequent to the six months ended 30 June 2016, in November 2016, interim dividends of approximately HK\$8.9 million were declared. Besides, it is expected that the net profit and the net profit margin for the year ending 31 December 2016 will decrease as compared with the year ended 31 December 2015 mainly because of (i) the increase in machinery rental cost and transportation cost in relation to job C10; (ii) the increase in staff cost and entertainment expense; (iii) the listing expense of approximately HK\$11.5 million expected to be incurred for the year ending 31 December 2016. Our Directors confirm that save for the matters mentioned above, subsequent to the Track Record Period and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group.

Some unaudited financial information of our Group, including our Group's revenue and gross profit margin for the three months ended 30 September 2016, information of our Group's net current assets and indebtedness as at 30 September 2016, are extracted from our Group's unaudited combined financial statements for the three months ended 30 September 2016 prepared by our Directors in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA, which were reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$25.4 million, of which approximately HK\$7.8 million is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately HK\$17.6 million, which cannot be so deducted, will be charged to profit or loss. Of the approximately HK\$17.6 million which will be charged to profit or loss, approximately HK\$1.7 million, HK\$4.4 million and HK\$5.1 million has been charged during the year ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively and approximately HK\$6.4 million is expected to be incurred for the six months ending 31 December 2016.

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STATISTICS OF THE [REDACTED]

Number of [REDACTED]:	[REDACTED] Shares		
[REDACTED] Structure	[REDACTED]% of the enlarged issued share capital of the Company		
[REDACTED]	Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED]		
		Based on the indicative [REDACTED] of HK\$[REDACTED] per Share	Based on the indicative [REDACTED] of HK\$[REDACTED] per Share
Market capitalization of the Shares	HK\$[REDACTED] million		HK\$[REDACTED] million
Unaudited pro forma adjusted net tangible asset value per Share		HK\$[REDACTED]	HK\$[REDACTED]

Note: The calculation of the market capitalization upon completion of the [REDACTED] is based on the assumption that [REDACTED] Shares will be in issue and outstanding immediately following the [REDACTED]. The unaudited pro forma adjusted net tangible asset value per Share is determined after adjustments as described in notes 1 to 4 as set out in Appendix II “Unaudited Pro Forma Financial Information” to this document. Had the effect of the interim dividends of HK\$8,900,000 appropriated in November 2016 been taken into account, the unaudited pro forma adjusted combined net tangible assets per Share would be HK\$[REDACTED] and HK\$[REDACTED], assuming the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED], respectively on the basis that [REDACTED] Shares were in issue and that the interim dividends appropriated in November 2016, the [REDACTED] and the [REDACTED] had been completed on 30 June 2016.

OUR SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, our Company will be owned as to [REDACTED]%, [REDACTED]% and [REDACTED]% by Sino Continent (which is wholly-owned by Mr. Cheung), Supreme Voyage (which is wholly-owned by Mr. Chan) and Applewood Developments (which is wholly-owned by Mr. Kwok), respectively.

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 purposes of the GEM Listing Rules, Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan are a group of our Controlling Shareholders. Mr. Cheung and Mr. Chan are presumed to be acting in concert (within the meaning of the Takeovers Code). For details, please refer to the section headed “Relationship with Our Controlling Shareholders – Controlling Shareholders of our Company” in this document. As such, immediately following completion of the [REDACTED] and the [REDACTED], Mr. Cheung and Mr. Chan will together control approximately [REDACTED]% of our entire issued share capital.

The Shares held by Mr. Cheung and Mr. Chan, being our Controlling Shareholders, are subject to restrictions and undertakings pursuant to rules 13.16 and 13.19 of the GEM Listing Rules. Further, such Shares held by each of our Controlling Shareholders are also subject to the voluntary undertaking from the Controlling Shareholders that (i) during the six months from the [REDACTED] Date (the “**First 6-Month Period**”), among others, not to 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, not to make any disposal of Shares, if following such disposal, they collectively would cease to be Controlling Shareholders. For further details, please refer to the section headed “Relationship with Our Controlling Shareholders – Undertakings from our Controlling Shareholders” in this document.

For the period between 2000 and 2014, Mr. Cheung, Mr. Chan and a then individual shareholder of Kingland Concrete (the “**Individual**”) were involved in a series of court proceedings (the “**Court Proceedings**”) in Hong Kong regarding the ownership and management of Kingland Holdings and Kingland Concrete. For details of the Court Proceedings, please refer to the section headed “Directors and Senior Management –

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Shareholders' dispute" in this document. Pursuant to the Deed of Settlement, (i) the Individual transferred all his shares in Kingland Concrete and Kingland Holdings equally to Mr. Cheung and Mr. Chan; and (ii) all the Court Proceedings and any dispute incidental thereto shall in full and final settlement.

DIVIDENDS

For the year ended 31 December 2015, Kingland Concrete declared interim dividend of HK\$2.8 million to its then equity holders. The interim dividend has been settled by current accounts with Directors. Other than that, no dividend has been paid or declared by the respective subsidiaries to its equity holders during the Track Record Period.

Our Company declared and settled dividend of approximately HK\$8.9 million in November 2016 of which approximately HK\$7.5 million has been set off against the net amount due from a director of the Group. As the net dividend payment in cash was only approximately HK\$1.4 million, our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment. The dividend declared during the Track Record Period and up to the Latest Practicable Date should not be regarded as an indication of the future dividend policy to be adopted by our Group.

There is no expected dividend payout ratio after the [REDACTED]. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, payment by our Group's subsidiaries of cash dividends to us; and other factors our Board may deem relevant. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk Factors" in this document before making any investment decision in the [REDACTED]. Some of the more particular risk factors include: (i) We are reliant on the availability of construction and civil engineering projects from the public and private sectors in Hong Kong and construction projects from the private sector in Macau; (ii) Our revenue is mainly derived from jobs which are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses; (iii) Our past revenue and profit margin may not be indicative of our future revenue and profit margin; (iv) Cancellation, suspension or delay in the commencement of public 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 objections or legal actions by the affected members of the public, may adversely affect our financial position and results of operation; (v) Our pricing is subject to competition from our competitors as well as our estimation of the work and costs involved in a job which may deviate from the actual work and costs involved; (vi) We face risks in relation to the collectability of our trade receivables and retention receivables; (vii) Failure to invest in suitable machineries or any failure, damage or loss of our machineries may adversely affect our operations and financial performance; and (viii) If the performance of our subcontractors is not satisfactory or their services are not available, our operations and profitability may be adversely affected.

HISTORICAL NON-COMPLIANCE INCIDENTS

There have been a number of instances of non-compliance with certain Hong Kong regulatory requirements on various occasions by our Group and Kingland Concrete (prior to the Transfer of Business). These include: (i) the Inland Revenue Ordinance in respect of timely filing of notification in relation to commencement and cessation of employment; and (ii) the Employees' Compensation Ordinance in respect of the notifications to the Commissioner of Labour regarding injuries of employees.