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Post Hearing Information Pack of

Sing On Holdings Limited

成安控股有限公司

(the “**Company**”)

(a company incorporated in the Cayman Islands with limited liability)

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Sing On Holdings Limited

成安控股有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] [REDACTED]
[REDACTED] : Not more than HK\$[REDACTED] per
[REDACTED] and expected to be not
less than HK\$[REDACTED] per
[REDACTED] (payable in full upon
application, plus brokerage fee of 1%,
SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%,
subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : [REDACTED]

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Joint Bookrunners and Joint Lead Managers

[REDACTED]

[REDACTED]

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The [REDACTED] is expected to be fixed by the Price Determination Agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before [REDACTED] at or before 5:00 p.m., or such later date or time as may be agreed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company. The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED]. If our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the [REDACTED] by that date or time or such later date or time as agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the [REDACTED] will not become unconditional and will not proceed.

Pursuant to the termination provisions contained in the Underwriting Agreement, the Joint Lead Managers have the right in certain circumstances, at their absolute discretion, to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the date when [REDACTED] in the Shares first commence on the Stock Exchange (such first [REDACTED] date is currently expected to be on [REDACTED]). Details of the terms of the termination provisions are set out in the section headed "Underwriting – Grounds for termination" in this document. It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk factors" in this document.

[REDACTED]

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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EXPECTED TIMETABLE

[REDACTED]

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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.

SUMMARY

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

By Number of Job

| | For the year ended 31 December 2014 % of number of job | For the year ended 31 December 2015 % of number of job | For the six months ended 30 June 2016 % of number of job |
|---|---|---|---|
| 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>100.0</u> | <u>100.0</u> | <u>100.0</u> |

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

SUMMARY

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.

SUMMARY

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.

SUMMARY

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.

SUMMARY

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

SUMMARY

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.

SUMMARY

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.

SUMMARY

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 –

SUMMARY

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.

DEFINITIONS AND GLOSSARY

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

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| “Alpha Eastern Holdings” | Alpha Eastern Holdings Limited (卓東控股有限公司), a company incorporated in the BVI on 22 January 2016 with limited liability and a direct wholly-owned subsidiary of our Company |
| “Applewood Developments” | Applewood Developments Limited, a company incorporated in the BVI on 14 December 2015 with limited liability and is wholly-owned by Mr. Kwok who is one of our Substantial Shareholders |
| “Articles” or “Articles of Association” | the articles of association of our Company adopted on 22 November 2016 and as amended from time to time, a summary of which is set out in Appendix III to this document |
| “associate(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Board” | the board of Directors |
| “Buildings Department” | the Buildings Department of Hong Kong |
| “Business Day” | any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public |
| “Business Transfer Agreement” | a business transfer agreement dated 26 January 2015 (supplemented on 10 March 2016) entered into between Kingland Concrete as transferor and Kingland (Sino) as transferee pursuant to which Kingland Concrete agreed to transfer its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino), the completion of which took place on 28 February 2015 |
| “BVI” | the British Virgin Islands |
| “CAGR” | compounded annual growth rate |

DEFINITIONS AND GLOSSARY

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| “[REDACTED]” | the 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 section headed “A. Further information about our Company – Written resolutions of our Shareholders passed on 22 November 2016” in Appendix IV to this document |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Clearing Participant(s)” | a person permitted to participate in CCASS as a direct clearing participant or general clearing participant |
| “CCASS Custodian Participant(s)” | a person permitted to participate in CCASS as a custodian participant |
| “CCASS Investor Participant(s)” | 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 |
| “Chairman” | the chairman of our Board, namely Mr. Cheung |
| “close associate(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Companies Law” | the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Company” and “our Company” | Sing On Holdings Limited (成安控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 5 January 2015 |

DEFINITIONS AND GLOSSARY

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| “connected person(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Construction Industry Council” | a statutory body corporate under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the GEM Listing Rules and in the context of our Company and for the purpose of this document, means Mr. Chan, Mr. Cheung, Sino Continent and Supreme Voyage |
| “core connected person(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “CT Partners” | CT Partners Consultants Limited, an independent internal control adviser |
| “Deed of Indemnity” | the deed of indemnity dated 22 November 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and on behalf of our subsidiaries) as further detailed in the section headed “E. Other information – 1. Tax and other indemnities” in Appendix IV to this document |
| “Deed of Non-competition” | the deed of non-competition undertaking dated 22 November 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and on behalf of our subsidiaries) as further detailed in the section headed “Relationship with our Controlling Shareholders” in this document |
| “Deed of Settlement” | the deed of settlement dated 21 November 2014 (supplemented on 26 March 2016) entered into by, among others, Mr. Cheung, Mr. Chan, Kingland Concrete and Kingland Holdings as further detailed in the section headed “Directors and Senior Management” in this document |
| “Director(s)” | the director(s) of our Company |
| “External Legal Advisers” | the Hong Kong External Legal Adviser and the Macau External Legal Adviser |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |

DEFINITIONS AND GLOSSARY

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| "GEM Listing Rules" | the Rules Governing the Listing of Securities on GEM, as amended, modified and supplemented from time to time |
| "Group", "we", "us" or "our Group" | our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries pursuant to the Reorganisation |
| "Guangzhou PRC Legal Adviser" | Beijing Dacheng Law Offices, LLP (Guangzhou) |
| "HKAS" | the Hong Kong Accounting Standards issued by the HKICPA |
| "HKFRSs" | the Hong Kong Financial Reporting Standards issued by the HKICPA |
| "HKICPA" | the Hong Kong Institute of Certified Public Accountants |
| "HKSCC" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "HKSCC Nominees" | HKSCC Nominees Limited |
| "HK\$" or "HK dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Branch Share Registrar" | [REDACTED] |
| "Hong Kong External Legal Adviser" | David Fong & Co. |
| "Hong Kong Government" | the government of Hong Kong |
| "Hong Kong Legal Counsel" | Mr. Chan Chung, barrister-at-law of Hong Kong |
| "independent third party(ies)" | an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executive or Substantial Shareholders of our Company, its subsidiaries or any of their respective associates and not otherwise a connected person of our Company |

DEFINITIONS AND GLOSSARY

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| “Ipsos” | Ipsos Limited, an independent market research agent |
| “Ipsos Report” | a market research report titled “Market Landscape and Competitive Analysis for Concrete Demolition Industry in Hong Kong and Macau” dated 29 November 2016 commissioned by us and prepared by Ipsos, contents of which are summarised in the section headed “Industry Overview” of this document |
| “Joint Bookrunners” or “Joint Lead Managers” | [REDACTED] and [REDACTED], being the joint bookrunners and the joint lead managers to the [REDACTED] |
| “Kingland (Sino)” | Kingland (Sino) Company Limited (景聯(大中華)有限公司), a company incorporated in Hong Kong with limited liability on 16 January 2015, which was the transferee under the Business Transfer Agreement and an indirect wholly-owned subsidiary of our Company |
| “Kingland Concrete” | Kingland Concrete Drilling Company Limited (景聯混凝土鑽鑿有限公司), a company incorporated in Hong Kong with limited liability on 9 July 1985, which was the transferor under the Business Transfer Agreement and was owned as to 1.25% by Mr. Cheung, as to 1.25% by Mr. Chan and as to 97.5% by Kingland Holdings as at the Latest Practicable Date |
| “Kingland Guangzhou” | 廣州好景聯切割科技有限公司 (translated as Guangzhou Good Kingland Concrete Demolition Company Limited), a company established in the PRC with limited liability on 22 March 2000 and was owned as to 45% by Mr. Cheung, as to 45% by Mr. Chan and as to 10% by Mr. Mak as at the Latest Practicable Date |
| “Kingland Holdings” | Kingland Holdings (Hong Kong) Limited (景聯控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on 13 November 1998 and was owned as to 37% by Mr. Cheung, as to 37% by Mr. Chan and as to 26% by Kingland Concrete as at the Latest Practicable Date |
| “Kingland Macau” | 景聯混凝土鑽鑿有限公司 (translated as Kingland Concrete Drilling Company Limited), a company incorporated in Macau with limited liability on 1 March 2006 and an indirect wholly-owned subsidiary of the Company |

DEFINITIONS AND GLOSSARY

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|---|---|
| “Latest Practicable Date” | 21 November 2016, being the latest practicable date prior to the printing of this document for the purposes of ascertaining certain information in this document prior to its publication |
| “[REDACTED]” | the [REDACTED] of our Shares on GEM |
| “[REDACTED] Date” | the date, expected to be on or about [REDACTED], on which [REDACTED] in our Shares first commence on GEM |
| “Listing Division” | the Listing Division of the Stock Exchange (with responsibility for GEM) |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “Macau External Legal Adviser” or “Macau Legal Counsel” | Mr. Chio Tak Wo, Advogado |
| “Macau Government” | the government of Macau |
| “Memorandum of Association” or “Memorandum” | the memorandum of association of our Company adopted on 22 November 2016 and as amended from time to time |
| “MOP” | Macau Pataca, the lawful currency of Macau |
| “Mr. Chan” | Mr. CHAN Yuk Sing (陳玉成), an executive Director and one of our Controlling Shareholders |
| “Mr. Cheung” | Mr. CHEUNG Shek On (張錫安), an executive Director, our Chairman, the chief executive officer, and one of our Controlling Shareholders |
| “Mr. Kwok” | Mr. KWOK Shun Tim (郭純恬), one of our Substantial Shareholders |
| “Mr. Mak” | Mr. MAK Banna (麥賓雅), a former registered owner holding 50% of the issued share capital of Kingland Macau before the implementation of the Reorganisation and the chief technical officer of our Group |
| “Ms. Mak” | Ms. MAK Nui (麥女), the mother-in-law of Mr. Mak and a former registered owner holding 50% of the issued share capital of Kingland Macau before the implementation of the Reorganisation |

DEFINITIONS AND GLOSSARY

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|------------------------------------|--|
| “[REDACTED]” | the conditional [REDACTED] of the [REDACTED] by the Underwriters on behalf of our Company for cash at the [REDACTED] with professional, institutional and/or other investors as described in the section headed “Structure and conditions of the [REDACTED]” in this document |
| “[REDACTED]” | the final price per [REDACTED] which will not be more than HK\$[REDACTED] per Share and is expected to be not less than HK\$[REDACTED] per Share (exclusive of brokerage, the Stock Exchange trading fee and SFC transaction levy), such price to be fixed on the Price Determination Date |
| “[REDACTED](s)” | the [REDACTED] new Shares being [REDACTED] by our Company for [REDACTED] at the [REDACTED] pursuant to the [REDACTED] |
| “Platinum Faith” | Platinum Faith Limited (鉞輝有限公司), a company incorporated in the BVI on 16 October 2014 with limited liability and a direct wholly-owned subsidiary of our Company |
| “PRC” | the People’s Republic of China excluding, for the purpose of this document, Hong Kong, Macau and Taiwan |
| “Predecessor Companies Ordinance” | the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014 |
| “Pre-[REDACTED] Investment” | the pre-[REDACTED] investment by Applewood Developments, as further detailed in the section headed “History and Development – Pre-[REDACTED] investment” in this document |
| “Price Determination Agreement” | the agreement expected to be entered into between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date to record the agreement on the [REDACTED] |
| “Price Determination Date” | the date expected to be on or around [REDACTED], on which the [REDACTED] will be determined for the purpose of the [REDACTED] |
| “Registered Electrical Contractor” | a contractor whose name is entered into the register of electrical contractors, being kept by the Electrical and Mechanical Services Department of Hong Kong |

DEFINITIONS AND GLOSSARY

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| “Registered Minor Works Contractor” | a contractor whose name is entered into the register of minor works contractors, being kept by the Buildings Department |
| “Registered Specialist Contractor” | a contractor whose name is entered into the register of specialist contractors, being kept by the Buildings Department |
| “Reorganisation” | the corporate reorganisation arrangements implemented by our Group in preparation for the [REDACTED] which is more particularly described in the section headed “History and Development” in this document |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “SFC” or “Securities and Futures Commission” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time |
| “Shanghai Longxin” | 上海龍鑫建築裝飾工程有限公司 (translated as Shanghai Longxin Construction Decoration Engineering Company Limited), a company established in the PRC with limited liability on 26 May 1994 and was owned as to 42% by Kingland Concrete and as to 58% by a PRC entity as at the Latest Practicable Date |
| “Shanghai Longxin GZ Branch” | 上海龍鑫建築裝飾工程有限公司廣州分公司 (translated as Shanghai Longxin Construction Decoration Engineering Company Limited Guangzhou Branch), a branch company of Shanghai Longxin established in Guangzhou on 30 November 1999 |
| “Share(s)” | ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company, which are to be [REDACTED] in HK dollars and [REDACTED] on GEM |
| “Shareholder(s)” | holder(s) of our Share(s) |
| “Share Option Scheme” | the share option scheme conditionally adopted by our Company on 22 November 2016, the principal terms of which are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this document |
| “Shanghai PRC Legal Adviser” | Beijing Dacheng Law Offices, LLP (Shanghai) |

DEFINITIONS AND GLOSSARY

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|------------------------------|---|
| “Shigaoba” | 廣州史高巴潛水服務有限公司 (translated as Guangzhou Shigaoba Diving Services Company Limited), a company established in the PRC with limited liability on 12 October 2010 and was owned as to 20% by Mr. Chan and as to 80% by an individual as at the Latest Practicable Date |
| “Sino Continent” | Sino Continent Holdings Limited, a company incorporated in the BVI on 1 July 2014 with limited liability which is wholly-owned by Mr. Cheung and is one of our Controlling Shareholders |
| “Sponsor” | Ample Capital Limited, a licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor to the [REDACTED] |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Substantial Shareholder(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Supreme Voyage” | Supreme Voyage Limited, a company incorporated in the BVI on 10 November 2014 with limited liability which is wholly-owned by Mr. Chan and is one of our Controlling Shareholders |
| “Takeovers Code” | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, modified and supplemented from time to time |
| “Track Record Period” | the two years ended 31 December 2015 and the six months ended 30 June 2016 |
| “Transfer of Business” | the transactions contemplated under the Business Transfer Agreement |
| “Underwriters” | the underwriters of the [REDACTED] whose names are set out in the section headed “Underwriting – Underwriters” in this document |

DEFINITIONS AND GLOSSARY

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|--------------------------|---|
| "Underwriting Agreement" | the conditional underwriting agreement entered into on 28 November 2016 among our Company, the executive Directors, our Controlling Shareholders, the Sponsor, the Joint Lead Managers and the Underwriters relating to the [REDACTED], particulars of which are summarised in the section headed "Underwriting" in this document |
| "United States" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "US\$" or "US dollars" | United States dollars, the lawful currency of the United States |
| "sq.ft." | square foot (feet) |
| "%" | per cent |

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", "could", "estimate", "expect", "going forward", "intend", "may", "plan", "potential", "predict", "propose", "seek", "should", "will", "would" and other similar expressions or the negative use of such 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;
- the amount and nature of, and potential for, future development of our Group's business;
- our Company's dividend policy;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong, Macau and the world in general.

These statements are based on several assumptions, including those regarding our Group's present and future business strategy 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" in this document.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove 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.

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

We 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

Our results of operations are affected by the number and 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, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong and Macau, changes in government policies relating to the Hong Kong and Macau property markets, the general conditions of the property markets in Hong Kong and Macau, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. In particular, during the entire Track Record Period, we derived revenue of approximately over HK\$90 million from various jobs involving the Central-Wan Chai bypass project in Hong Kong, representing over 30% of our total revenue for the entire Track Record Period.

A downturn in either sector, or both, may result in a significant decrease in the number of concrete demolition jobs available in Hong Kong and Macau in general. For instance, an economic downturn in Hong Kong and/or Macau, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong and/or Macau may lead to a significant decline in the number of private housing construction projects. On the other hand, government spending on infrastructures and the number of public sector projects may be affected by factors such as government budgets and town planning.

There is no assurance that the number of private sector projects and/or public sector projects will not decrease in the future. There is no assurance that the Hong Kong Government will continue to launch large scale civil engineering projects in Hong Kong. In the event that the availability of concrete demolition jobs decreases as a result of the decrease in the number of private and/or public sector projects in Hong Kong and/or Macau, our businesses and results of operations may be adversely and materially affected.

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

Our revenue is typically derived from jobs which are non-recurrent in nature. During the Track Record Period, we secured new businesses mainly through direct invitation to tender or request for quotation by customers.

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We generally do not enter into long-term agreements with our customers and our customers are therefore under no obligation to award jobs to us. As such, there is no guarantee that we will be able to secure new business from customers. Accordingly, the number and scale of jobs and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

Our past revenue and profit margin may not be indicative of our future revenue and profit margin

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our revenue amounted to approximately HK\$117.1 million, HK\$120.1 million and HK\$60.7 million respectively; and our gross profit amounted to approximately HK\$32.3 million, HK\$38.1 million and HK\$17.7 million, respectively; while our profit and total comprehensive income for the year or period attributable to owners of the Company amounted to approximately HK\$10.3 million, HK\$14.2 million and HK\$2.2 million (for the six months ended 30 June 2016), 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 businesses and to control our costs. Profit margins for our concrete demolition works may fluctuate from job to job due to factors such as the type of demolition techniques and machineries employed and the amount of labour resources required. There is no assurance that our profit margins 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.

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

For the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our revenue derived from public sector jobs in Hong Kong represented 47.7%, 49.4% and 69.9% of our total revenue, respectively. The cancellation or delay in commencement of public projects may result in decrease in number of public sector jobs awarded to us, whereas the suspension of public projects may cause disruption to the progress of our on-going public sector jobs. In either case, the demand for our concrete demolition services would be adversely affected.

Cancellation, suspension or delay in the commencement of public 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 objections by law-makers and/or protests or legal actions by affected individuals or entities. Our engagements in

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public sector jobs depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong in which delays in the passing of public works funding proposals have occurred in recent years.

The cancellation, suspension or delay in the commencement of public projects may affect our results of operation if we are not able to secure new business from private sector jobs at the same or similar level to offset the potential decrease in revenue derived from public sector jobs. In addition, the uncertainty on the commencement of the relevant public projects also make it more difficult for us to make accurate planning for the demand, deployment of our machineries and labour resources, which may adversely affect our operations and financial performance.

Our business is subject to the risk of cost overrun and job extension or delay

In pricing a tender or quotation, we are required to estimate the job costs based on various factors such as (i) the estimated number and types of workers required; (ii) the estimated number and types of machineries required; and (iii) the need for subcontracting and machinery leasing. Any deviation between the estimated cost by the time we submit the tenders or quotations and the actual costs to complete the jobs may adversely affect our financial performance and profitability. For instance, if the actual progress of a project was slower than we anticipated, or if there is any delay or extension in the project schedule of main contractor, we may have to engage subcontractors and/or lease the required machineries for a longer period, and hence the amounts of subcontracting fees or machinery rental cost incurred may exceed our estimation. Further, in the case of job extension or delay, we may experience decrease in revenue derived given that the progress payment to us is based on works done by us on a monthly basis. There is no assurance that we would not experience cost overrun and job extension or delay, which may in turn adversely affect our profit margin and operating results.

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

Our pricing is subject to competition from our competitors and is determined on a case-by-case basis having regard to various factors which generally include (i) the estimated number and types of workers required; (ii) the difficulties of the works involved; (iii) the demolition methods and techniques expected to be applied; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) the need for subcontracting; (viii) the overall cost in undertaking the job; (ix) the past prices offered to the customer and (x) the prevailing market conditions. If we set a significant mark-up margin in our pricing, our quotation or tender may become uncompetitive. There is no assurance that we will always be able to price our tender competitively, and if we fail to do so, our customers may opt for our competitors, thereby resulting in a decrease in the number of jobs awarded to us. Meanwhile, if the mark-up margin we set is too low, we may not be able to cover the financial impact of unfavourable circumstances during the performance of the job. Our profitability in the job would therefore be materially adversely affected.

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In addition, we need to estimate the work and costs involved in a concrete demolition job in order to determine our fee. There is no assurance that the actual amount of work and costs would not exceed our estimation during the performance of the jobs. The actual amount of work and costs involved in completing a concrete demolition job may be adversely affected by numerous factors including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions such as limited spaces that hindered the use of certain machinery or unexpected thickness, depth, composition, or size of concrete structures to be demolished, and other unforeseen circumstances. Any material and inaccurate estimation of the work and costs involved in a job may adversely affect our profit margin and results of operations.

We face risks in relation to the collectability of our trade receivables and retention receivables

We usually grant our customers a credit period ranging from 14 to 60 days from the date of issue of our invoices. However, there can be no assurance that our customers will settle our invoices on time and in full. Our customers usually have 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. There can be no assurance that such retention money will be released by our customers to us on a timely basis and in full upon job completion or within the specified period after completion. As at 31 December 2014 and 2015 and 30 June 2016, we recorded retention receivables of approximately HK\$8.7 million, HK\$10.0 million and HK\$12.7 million, respectively. As at 31 December 2014 and 2015 and 30 June 2016, we recorded contract receivables of approximately HK\$8.8 million, HK\$19.2 million and HK\$23.8 million, respectively. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our debtors' turnover days of the contract receivables were 18.2 days, 42.5 days and 64.4 days, respectively. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

Failure to invest in suitable machineries or any failure, damage or loss of our machineries may adversely affect our operations and financial performance

Our concrete demolition services rely on the machineries and equipment owned by us. The market demand for different concrete demolition techniques and different types of machinery or equipment may change continuously. If we fail to remain attentive to and invest in suitable machineries to cope with any latest development in such market demand and to cater for different needs and requirements of our customers, overall competitiveness, financial performance and operating results may be adversely affected.

In addition, there is no assurance that our machinery and equipment will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machineries may break down or malfunction due to wear and tear or mechanical issues. In such case, if we fail to make proper repair and/or replacement in a timely manner, our operations and financial performance could be adversely affected.

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If the performance of our subcontractors is not satisfactory or their services are not available, our operations and profitability may be adversely affected

Depending on the availability of our labour resources, we may subcontract works to other subcontractors. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, subcontracting charges incurred by us amounted to approximately HK\$27.4 million, HK\$27.6 million and HK\$15.5 million, respectively.

We carefully evaluate subcontractors in terms of their technical capability, track records, labour resources, and pricing. However, there is no assurance that the work quality of our subcontractors can always meet our requirements. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. Subcontracting exposes us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may experience deterioration in the quality or delayed delivery of our works and incur additional costs to carry out remedial action. Consequently, we may be subject to liability under the relevant contract with our customers for our subcontractors' unsatisfactory performance, which, in turn, would adversely affect our profitability, financial performance and reputation.

In addition, there is no assurance that our Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

Our Group is dependent on key personnel and may not be able to retain them

Our Directors believe that our success, to a large extent, is attributable to, amongst other things, the contribution of Mr. Cheung, an executive Director, our Chairman and chief executive officer, and Mr. Chan, an executive Director. Details of their experience are set out in the section headed "Directors and Senior Management" in this document.

Our key personnel and management talents, efforts and expertise in the concrete demolition industry are crucial to our operations and financial performance. If any of our executive Directors or senior management terminates his/her service agreement with us or otherwise ceases to serve our Group and appropriate persons could not be found to replace them, our operations will be adversely affected. There is no assurance that we will be able to attract and retain capable staff or that they will not resign in the future.

Any increase in cost of labour and the availability of labour may adversely affect our competitiveness and profitability

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 and 2015 and the six months ended 30 June 2016, respectively.

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Labour cost in Hong Kong and Macau may be affected by the demand for and supply of labour as well as economic factors in Hong Kong and Macau including the inflation rate and standard of living. There is no guarantee that the supply of labour and average labour costs will be stable. In addition, under the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour). As confirmed by our Directors, none of our employees were paid at the current statutory minimum wage of HK\$32.5 per hour or lower as at the Latest Practicable Date. However, there is no assurance that the statutory minimum wage will not be increased in the future. In the event that we fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future jobs and/or there is a significant increase in the costs of labour, we may not be able to complete our jobs on schedule and/or within budget and our operations and profitability may be adversely affected.

Expiry, withdrawal, revocation and/or failure to renew any of our various registrations and licences would adversely affect our operations and financial results

We possess various licences and qualifications in relation to and ancillary to our concrete demolition works in Hong Kong. As at the Latest Practicable Date, Kingland (Sino) was registered (i) in the Subcontractor Registration Scheme of the Construction Industry Council under the trade specialties of general demolition and others (concrete coring and saw cutting); (ii) as a Registered Minor Works Contractor with the Buildings Department; (iii) as a Registered Electrical Contractor of the Electrical and Mechanical Services Department and (iv) as a Registered Specialist Contractor with the Buildings Department under the category of demolition works. For details of our licences and qualifications, and their respective applicability in our business, please refer to the section headed "Business – Licences and permits" in this document.

These registrations and/or licences may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant government authorities. There can be no assurance that we would be able to renew the registrations and/or licences in a timely manner or at all. If we fail to do so, we may be required to suspend our operations, which would have a material adverse effect on our business and operating results.

Further, the relevant government authorities may remove us from their lists or take other disciplinary actions against us such as suspension for various reasons, including but not limited to sub-standard works and failure to implement adequate safety measures. The occurrence of any of the above scenarios would damage our reputation in the construction industry, limit our ability to compete for new jobs and impair our exposure to our customers, which in turn would have an adverse effect on our growth and operations.

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We may be liable to compensate our customers for losses and expenses incurred as a result of our failure to complete works on time

In some jobs, our customers may require us to complete the works within a specified period or in accordance with their works schedule. If we fail to do so, we may be liable to compensate our customers at a specified rate on a daily basis unless an extension of time was granted by them. As a result, our Group may be liable to pay significant amount of compensation, which would adversely affect our liquidity and cash flows and have a material adverse impact on our business, financial condition, results of operations, reputation and prospect.

Our top five customers accounted for a substantial portion of our revenue

Our top five customers accounted for approximately 86.2%, 59.8% and 66.0% of our total revenue for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. Our top five customers are not obligated in any way to continue to provide us with new businesses in the future at a level similar to that in the past or at all. If any of these top customers were to substantially reduce the volume and/or the value of new businesses to us or to terminate the business relationship with us entirely, there can be no assurance that we would be able to secure new businesses from other customers as replacement. In addition, there can be no assurance that new businesses secured from other customers as replacement, if any, would be on commercially comparable terms. As such, our operations and financial performance and prospects may be materially and adversely affected.

Our top five suppliers accounted for a substantial portion of our purchases

Our top five suppliers accounted for approximately 77.7%, 58.0% and 66.0% of our relevant cost of sales ^(note) for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. If any of our top suppliers were to substantially reduce the amount of goods or services provided to us or to terminate the business relationship with us entirely, there can be no assurance that we would be able to identify new suppliers as replacement. In addition, there can be no assurance that the provision of goods and services from the new suppliers, if any, would be on commercially comparable terms. As such, our operations and financial performance and prospects may be materially and adversely affected.

Note: excluding depreciation, staff costs and subcontracting charges.

Certain leased properties of our Group were subject to building orders issued against the landlords

Our Group currently lease certain premises situated at Units A and D, 1st Floor (the "1st Floor Premises") and Flat B, Ground Floor (the "Ground Floor Premises"), Fu Hop Factory Building, Nos. 209 & 211, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. We used the 1st Floor Premises as warehouse for our machinery, parts, consumables and other miscellaneous materials, and the Ground Floor Premises as general office and operational use, workshop for our in-house repair and maintenance of machinery and warehouse for our machinery, parts, consumables and other miscellaneous materials.

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On 7 February 2013, the Building Authority issued: (i) a building order against the owner of the Ground Floor Premises in connection with the unauthorised alterations to the internal wall, a canopy attached to the external wall and a metal frame yard structure; and (ii) two building orders against the owner of the 1st Floor Premises in connection with unauthorised alterations to a fire resistance door and an external wall.

Pursuant to the aforesaid building orders, the owners of the two premises were required to demolish the unauthorised building works and reinstate the parts of the building so affected by such building works in accordance with the plans approved by the Building Authority. As at the Latest Practicable Date, no letter of compliance had been issued by the Building Authority in respect of these building orders pursuant to the records of the Land Registry.

The aforesaid building orders had been addressed to the owners of the premises, and our Group was unaware of the existence of such orders until copies of the building orders were retrieved from the Land Registry in preparation for the [REDACTED]. If the owners of the 1st Floor Premises and the Ground Floor Premises are to carry out rectification works to the said premises or the Building Authority considers that the rectification works carried out are not in compliance with the relevant building order(s), and our normal use of the said two premises are interrupted or otherwise affected as a result thereof, our business and operations may be adversely affected.

Our profitability may be affected by the potential increase in depreciation expenses upon the planned acquisition of additional machineries and equipment

It is one of our business strategies to acquire additional concrete demolition machineries and equipment by utilising a portion of the net proceeds from the [REDACTED] so as to enhance our technical ability and to strengthen our capability to cater for various needs and requirements of different customers. Please refer to the section headed "Future Plans and Use of Proceeds" in this document for details in this regard. As a result of the purchase of additional machineries and equipment, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results.

Based on the accounting policies adopted by our Group, depreciation on machineries and equipment is calculated using the straight-line method. Therefore, based on the intended timing of deployment of the proceeds for purchasing machineries and equipment and taking into account our existing machineries and equipment, it is estimated that depreciation expenses on plant and machineries of approximately HK\$1.2 million and HK\$1.5 million will be incurred for the year ending 31 December 2016 and 31 December 2017, respectively.

We may be involved in construction and/or labour disputes, legal and other proceedings arising from our operations from time to time

We may receive claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our jobs from time to time. Such claims include claims for compensation for late completion of works and delivery of

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substandard works, and claims in respect of personal injuries and labour compensation in relation to the works. Please refer to the section headed "Business – Litigation and claims" in this document for further information.

Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation in the construction industry if they were published by the press. If the aforesaid claims were successfully made against our Group, it would result in the incurrence of legal costs, which in turn could adversely affect our revenue, results of operation and financial position.

Due to the nature of our business, we may become involved in claims, legal proceedings and investigations relating to, among other things, contractual disputes with customers or subcontractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. The legal proceedings to which we are a party or may in the future become a party may have a material and adverse impact on our business.

Our Group has records of certain non-compliance of Hong Kong regulatory requirements

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 comprise: (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. For details, please refer to the section headed "Business – Non-compliance" in this document.

Save for the non-compliance of Kingland Concrete committed prior to the Business Transfer of Business, there is no assurance that the relevant authorities would not take any enforcement action against us and our Directors in relation to the non-compliance. In the event that such enforcement action is taken, our reputation, cash flow and results of operation may be adversely affected.

Fluctuations in exchange rates may increase our operating costs

Some of our purchases, such as those of certain consumables and machinery parts that are imported from places outside Hong Kong, are denominated in currencies other than Hong Kong dollars, such as US\$, MOP and RMB. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our purchases denominated in currencies other than Hong Kong dollars amounted to approximately HK\$8.5 million, HK\$4.0 million and HK\$2.8 million, respectively, representing approximately 26.3%, 12.0% and 19.0% of our total purchases for the respective years. As we did not engage in any hedging activity, any substantial depreciation in Hong Kong dollars against such currencies will increase our costs and affect our profitability.

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Our business plans and strategies may not be successful or be achieved within the expected time frame or within the estimated budget

We intend to further enhance our machineries and strengthen 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.

Events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks could significantly delay, or even prevent us from completing, our jobs

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist attacks. Any such event could cause us to reduce or halt our operation, adversely affect our business operation, increase our costs or prevent us from completing our jobs, any one of which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The construction industry, including the concrete demolition industry in Hong Kong and Macau has been facing the issue of labour shortage

According to the Ipsos Report, the construction industry, including the concrete demolition industry in Hong Kong and Macau has been facing the issue of labour shortage. The growing demand for construction works exacerbated the shortage issue, pushing up the daily wage of a worker in concrete demolition industry in Hong Kong from 2010 to 2015 from approximately HK\$812.2 per day per worker to approximately HK\$1,253.1 per day per worker, and the average daily wage per worker in the construction industry in Macau from approximately MOP549.8 per day per worker to approximately MOP749.0 per day per worker.

If our Group is unable to recruit or retain sufficient workers or fails to effectively manage our staff costs as a result of shortage of local labour supply, our business operations and financial performance may be materially and adversely affected.

Personal injuries, property damages or fatal accidents may occur during the performance of our works

Notwithstanding our occupational health and safety measures, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. In addition, there is no assurance that there will not be any violation of our safety

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measures or other related rules and regulations by workers. Any such violation may lead to higher probability of occurrences and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which would materially and adversely affect our business operations and our financial position to the extent not covered by insurance policies. Also, failure to maintain safe construction sites may lead to convictions and/or penalties which, in turn, could affect the registration and/or renewal status of our various licences.

In addition, any personal injuries and/or fatal accidents to the employees of our Group and our subcontractors may lead to claims or other legal proceedings against our Group. Any such claims or legal proceedings could adversely and materially affect our financial position to the extent not covered by insurance policies. Also, notwithstanding the merits of any such claims or legal proceedings, we need to divert management resources and incur extra costs to handle these matters. Any such claims or legal proceedings could therefore have a material and adverse impact on our business operations.

Our insurance policies may not be sufficient to cover all liabilities and our insurance premium may increase from time to time

We have taken out insurance policies in line with industry practice to cover certain aspects of our business operations. However, certain types of risks, such as liabilities arising from acts of God or other natural disasters and risks in relation to the collectability of our trade receivables, are generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, we may suffer losses which may adversely affect our financial position.

Even if we have taken out insurance policies, our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our business operations. We cannot control if there are reduction or limitation of insurance coverage by insurers upon the expiry of our current policies.

We also cannot guarantee that our insurance premiums will not rise or we may be required by law or our customers to obtain additional insurance coverage. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our total insurance costs incurred were approximately HK\$1.0 million, HK\$0.9 million and HK\$0.4 million, respectively. Any further increase in insurance costs or reduction in coverage may materially and adversely affect our business operations and financial results.

We are exposed to environmental liability

Our business is subject to the environmental regulations in Hong Kong and Macau. Such regulations may be revised by the Hong Kong Government and Macau Government from time to time to reflect the latest environmental needs. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we incurred approximately HK\$8,000, HK\$50,000 and HK\$11,000, respectively in relation to the compliance with applicable environmental requirements. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

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Site works could be affected by adverse weather conditions and are subject to other construction risks

Some of our jobs are undertaken outdoor and therefore our operations may be interrupted or otherwise affected by adverse weather conditions such as rainstorms and tropical cyclones, which may cause difficulties to our Group in completing our jobs on schedule. In addition, we are subject to other construction risks such as fire and suspension of water and electricity supplies, which may also affect our work progress. Adverse weather conditions and other construction risks may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

There is no assurance that competition in the industry will not increase in the future

We mainly compete with other concrete demolition service providers for new businesses. There is no assurance that competition in the industry will not increase in the future. Increased competition may result in an adverse impact on our business and financial positions and prospects.

RISKS RELATING TO HONG KONG AND MACAU

The general economic conditions in Hong Kong and Macau may affect our business and financial positions

Our performance and financial position are heavily dependent on the state of economy in Hong Kong and Macau as we derive our revenue from our operations in Hong Kong and Macau during the Track Record Period. In the event that there is a downturn in the economy of Hong Kong and Macau, our results of operations and financial position may be severely affected.

The state of political environment in Hong Kong and Macau may affect our business and financial positions

Each of Hong Kong and Macau is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong and Macau, respectively. However, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place at the moment. Since our primary operations are substantially located in Hong Kong and Macau, any change of such political arrangements may pose immediate threat on the stability of the economy in Hong Kong and Macau, thereby directly and negatively affecting our results of operations and financial positions.

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RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] market for the Shares and the liquidity, market price and [REDACTED] volume of the Shares may be volatile

Prior to the [REDACTED], there is no [REDACTED] market for the Shares. The [REDACTED] of, and the permission to [REDACTED] in, the Shares on the Stock Exchange do not guarantee the development of an active [REDACTED] market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group's revenues, earnings and cash flows, acquisitions made by our Group or its competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation, fluctuations in the market prices for our services, materials or labours, the liquidity of the market for the Shares, or the general market sentiment regarding the industry in which we operate could cause the market price and [REDACTED] 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 we issue additional Shares in the future

Our Company 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, we may need to raise additional funds in the future to finance business expansion or 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 pro-rata 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 [REDACTED] market could materially and adversely affect the market price of the Shares

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

RISK FACTORS

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 the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in 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 "Industry overview" 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 document have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the 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 has 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, our Directors, the 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 will be prepared on a comparable basis or that such information and statistics will be 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.

RISK FACTORS

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

Included in this document are various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, the 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 invest in the [REDACTED]. You should rely only on the information contained in this document.

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]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

| Name | Residential address | Nationality |
|--|--|-------------|
| <i>Executive Directors</i> | | |
| Mr. CHAN Yuk Sing (陳玉成) | 2/F, 251 Tseung Kwan O Village Hang Hau Sai Kung New Territories Hong Kong | Chinese |
| Mr. CHEUNG Shek On (張錫安) | Block A8 7 Silver Crest Road Fullway Garden Sai Kung New Territories Hong Kong | Chinese |
| <i>Non-executive Director</i> | | |
| Mr. KUAN Hong Kin Daniel (關匡建) | Flat A, 32/F, Block 10 Tai Hing Gardens Phase 2 No. 10 Ho Hing Circuit Tuen Mun, New Territories Hong Kong | Chinese |
| <i>Independent non-executive Directors</i> | | |
| Mr. CHAN Ngai Sang Kenny (陳毅生) | House A1, Jade View Villa, 20 Tsing Tai Road, Siu Lam, Tuen Mun, New Territories Hong Kong | Chinese |
| Mr. CHOW Chun To (鄒振濤) | Flat C, 16/F Tower 3 213 Yee Kuk Street, Trinity Towers Sham Shui Po, Kowloon Hong Kong | Chinese |
| Mr. YAM Chiu Fan Joseph (任超凡) | Flat RA, 48/F, Tower 2 Le Prestige of Lohas Park #1 Lohas Park Road Tseung Kwan O Hong Kong | British |

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

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED

Sponsor

Ample Capital Limited

A licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

Joint Bookrunners, Joint Lead Managers and the Underwriters

[REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong law (in relation to general matters)
David Fong & Co.
Solicitors, Hong Kong
Unit A, 12th Floor, China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

As to Hong Kong law (in relation to the Transfer of Business, licensing, non-compliance and other matters)
Mr. Chan Chung
Barrister-at-law
Room 4701
Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to Cayman Islands law

Appleby

Legal advisers as to Cayman Islands law

2206-19 Jardine House

1 Connaught Place

Central

Hong Kong

As to Macau law

Chio Tak Wo, Advogado

Macau lawyer

Avenida do Dr. Rodrigo Rodrigues

No. 600E, Edificio Centro Comercial First Nacional

21 Andar, Apt. 2106

Macau

*As to PRC law (in relation to certain matters in
Guangzhou)*

Beijing Dacheng Law Offices, LLP (Guangzhou)

Registered law firm in the PRC

45, 51/F, Tower A

Victory Plaza

No. 103, Tiyuxi Road

Guangzhou, PRC

*As to PRC law (in relation to certain matters in
Shanghai)*

Beijing Dacheng Law Offices, LLP (Shanghai)

Registered law firm in the PRC

15/F, 16/F, Shanghai Tower

501 Yincheng Road

Pudong New Area

Shanghai, PRC

Legal advisers to the Sponsor

As to Hong Kong law

Loeb & Loeb LLP

Solicitors, Hong Kong

21/F, CCB Tower

3 Connaught Road Central

Hong Kong

**Auditors and reporting
accountants**

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31/F, Gloucester Tower

The Landmark

11 Pedder Street, Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Internal control consultant

CT Partners Consultants Limited

Unit 1601 A, 16/F, Tower 6
China Hong Kong City
33 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Compliance adviser

Ample Capital Limited

*A licensed corporation to carry out
type 4 (advising on securities),
type 6 (advising on corporate finance) and
type 9 (asset management)
regulated activities under the SFO*
Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

**Legal advisers to the Joint
Bookrunners, the Joint Lead
Managers and the
Underwriters**

[REDACTED]

CORPORATE INFORMATION

| | |
|--|---|
| Registered office | Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands |
| Headquarters and principal place of business in Hong Kong | Flat B, G/F Fu Hop Factory Building 209 and 211 Wai Yip Street Kwun Tong, Kowloon Hong Kong |
| Company secretary | Mr. Chen Yeung Tak, <i>CPA</i> 4A, Mayfair Gardens 10 Sau Chuk Yuen Road Kowloon Tong, Kowloon Hong Kong |
| Authorised representatives | Mr. Cheung Shek On Block A8 7 Silver Crest Road Fullway Garden Sai Kung New Territories Hong Kong Mr. Chen Yeung Tak, <i>CPA</i> 4A, Mayfair Gardens 10 Sau Chuk Yuen Road Kowloon Tong, Kowloon Hong Kong |
| Compliance officer | Mr. Cheung Shek On Block A8, Fullway Garden Sai Kung, New Territories Hong Kong |
| Members of the Audit Committee | Mr. Chow Chun To (<i>Chairman</i>) Mr. Chan Ngai Sang Kenny Mr. Yam Chiu Fan Joseph |
| Members of the Remuneration Committee | Mr. Chan Ngai Sang Kenny (<i>Chairman</i>) Mr. Cheung Shek On Mr. Chow Chun To |
| Members of the Nomination Committee | Mr. Cheung Shek On (<i>Chairman</i>) Mr. Chan Ngai Sang Kenny Mr. Chow Chun To |

CORPORATE INFORMATION

Cayman Islands principal share registrar and transfer office [REDACTED]

Hong Kong Branch Share Registrar and transfer office [REDACTED]

Principal banker **OCBC Wing Hang Bank Limited**
161 Queen's Road Central
Hong Kong

Company's website www.singon.com.hk
(information on this website does not form part of this document)

INDUSTRY OVERVIEW

Certain facts, statistics and data presented in this section and elsewhere in this document have been derived, in part, from various government official publications as well as the Ipsos Report. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from these official government sources, such facts and statistics have not been independently verified by our Group or any of its respective affiliates or advisers, nor by the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their affiliates or advisers or any other party involved in the [REDACTED]. Our Directors have no reason to believe that such facts, statistics and data presented in this section is false or misleading or that any fact has been omitted that would render such facts, statistics and data false or misleading. In this section, other than the Ipsos Report, information regarding the relevant industries has been recited or extracted from certain articles, reports or publications, and their preparations were not commissioned or funded by our Group. Our Directors confirm 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.

SOURCES OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the concrete demolition industry in Hong Kong and Macau. A total fee of HK\$556,000 was paid to Ipsos for the preparation of the Ipsos Report. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. 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 [REDACTED] or on the results of the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong.

The Ipsos Report includes information on the concrete demolition industry in Hong Kong and Macau. 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 and industry experts including concrete demolition work companies, main contractors, developers, architects, industry experts and government officials and associations in Hong Kong and Macau, etc. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques.

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) the economy of Hong Kong and Macau are assumed to maintain a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or the wide outbreak of diseases to affect the demand and supply of construction services, including concrete demolition services, in Hong Kong and Macau during the forecast period.

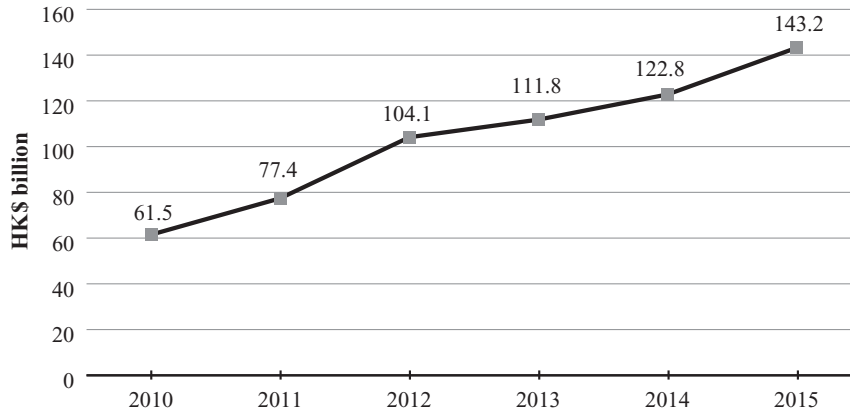
CONSTRUCTION INDUSTRY OVERVIEW

Hong Kong

The total gross output value of construction works performed by main contractors at construction sites in Hong Kong increased from approximately HK\$61.5 billion in 2010 to approximately HK\$143.2 billion in 2015, representing a CAGR of approximately 18.4%:

INDUSTRY OVERVIEW

Total gross output value of construction works performed by main contractors at construction sites in Hong Kong



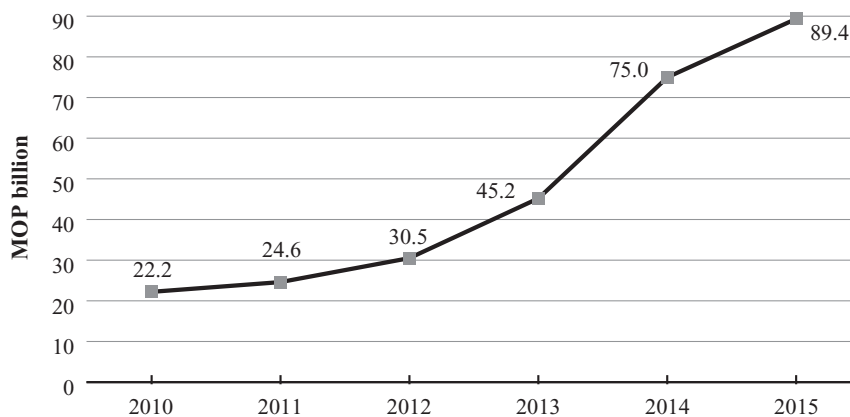
Source: The Ipsos Report

Construction projects in Hong Kong can be generally categorised into public sector projects and private sector projects. Public sector projects refer to projects of which the main contractors are employed by the Hong Kong Government, the Macau Government or their respective related organisations or corporations, while private sector projects refer to projects that are not public sector projects. The total gross output value of public sector projects in Hong Kong increased significantly from approximately HK\$31.2 billion in 2010 to approximately HK\$77.1 billion in 2015, representing a CAGR of approximately 19.8%, which was mainly due to the commencement of more construction projects by the Hong Kong Government to create job opportunities in the construction industry. On the other hand, the total gross output value of private sector projects in Hong Kong increased from approximately HK\$30.3 billion in 2010 to approximately HK\$66.1 billion in 2015, representing a CAGR of approximately 16.9%, which was mainly due to the economic recovery during the period as well as the rising demand for residential properties in Hong Kong.

Macau

The total gross output value of construction works performed by main contractors at construction sites in Macau increased from approximately MOP22.2 billion in 2010 to approximately MOP89.4 billion in 2015, representing a CAGR of approximately 32.1%:

Total gross output value of construction works performed by main contractors at construction sites in Macau



Source: The Ipsos Report

INDUSTRY OVERVIEW

Similar to Hong Kong, construction projects in Macau can also generally be classified as public sector projects and private sector projects. The general increase in total gross output value of construction works in Macau from 2010 to 2015 was mainly attributable to the increase in the number of major casino development projects in Macau, as well as the various major public infrastructure and construction projects commenced by the Macau Government during the period. The total gross output value of public sector projects increased from approximately MOP4.4 billion to approximately MOP10.2 billion from 2010 to 2015, representing a CAGR of approximately 18.3%. On the other hand, the total gross output value from of private sector projects increased from approximately MOP17.8 billion to approximately MOP79.2 billion from 2010 to 2015, representing a CAGR of approximately 34.8%.

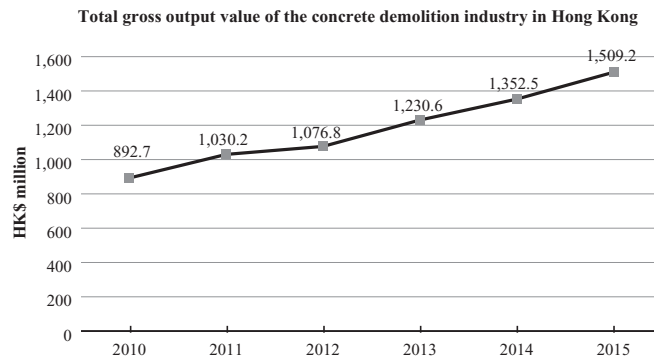
It is not uncommon for Hong Kong contractors in Hong Kong to engage in projects in Macau. This can be attributed to the fact that the industry practice, factors of competition and tender processes are relatively similar between the Hong Kong construction market and Macau construction market. Given the similarity, it allows the contractors in Hong Kong to engage in projects in Macau with less difficulties.

CONCRETE DEMOLITION INDUSTRY OVERVIEW

The concrete demolition industry is one of the specific areas of the construction industry which mainly concerns the removal of pieces or sections of concrete from concrete structures and the demolition of the entire concrete structures or buildings by applying different methods such as coring, sawing, bursting and crushing. Concrete demolition is required in various situations including but not limited to the making of openings for the installation of elevators, doors, windows, plumbing or other utilities systems, the removal of unnecessary concrete during the course of construction of buildings or infrastructure, the demolition of concrete structures in addition and alteration works or redevelopment projects in buildings, roads, tunnels and underground facilities, the removal of pieces of concrete for concrete sample analysis, etc.

Hong Kong

As of July 2016, there were more than 120 registered concrete demolition service providers in Hong Kong. The total gross output value of the concrete demolition industry in Hong Kong grew from approximately HK\$892.7 million in 2010 to approximately HK\$1,509.2 million in 2015, representing a CAGR of approximately 11.1%:



Source: The Ipsos Report

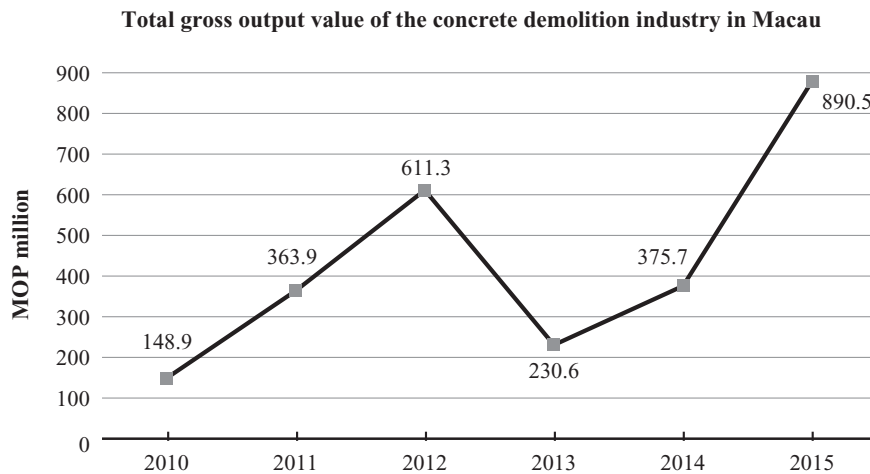
According to the Ipsos Report, the gross output value of the concrete demolition in Hong Kong is estimated to grow from approximately HK\$1,509.2 million in 2015 to approximately HK\$1,945.6 million in 2019, at a CAGR of approximately 6.6%.

INDUSTRY OVERVIEW

The significant increase in the gross output value of the concrete demolition industry in Hong Kong was primarily due to the commencement of the “Ten Major Infrastructure Projects” announced in the 2007 Policy Address by the Hong Kong Government as well as the general increase in residential projects and urban renewal projects in Hong Kong, which led to the increase in construction and redevelopment works of buildings, roads, tunnels, underground facilities, and other infrastructures that in turn led to the increase in the general demand for concrete demolition services.

Macau

The total gross output value of the concrete demolition industry grew from approximately MOP148.9 million in 2010 to approximately MOP890.5 million in 2015, representing a CAGR of approximately 43.0%:



Source: *The Ipsos Report*

The significant increases in the gross output value of the concrete demolition industry in Macau in 2011 and 2012 were primarily due to the increase in investment by the Macau Government on infrastructure and public housing owing to the rising population in Macau, resulting in the increase in demand for concrete demolition service for the removal of existing concrete structures. In 2013, the gross output values returned to a level that was lower than the values in 2011 and 2012 but was still considerably higher than that in 2010, resulting in a CAGR of approximately 43.0% from 2010 to 2015. Such general increasing trend was mainly due to (i) the increase in investment on the improvement of infrastructure and public housing by the Macau Government; (ii) the establishment of the “Permanent Inter-Departmental Working Group for Demolition and Vacating of Illegal Construction” in 2011 by the Macau Government to tackle illegal buildings in Macau, which led to the general increase in redevelopment and demolition projects in Macau; and (iii) the continued investment in construction projects in relation to the gaming and tourism industry in Macau.

INDUSTRY DRIVERS

In general, an increase in the amount of construction projects will increase the general demand for concrete demolition services. For instance, redevelopment projects will necessarily involve the demolition of existing structures before new structures are built, while for new building projects, concrete demolition services may be required in various situations such as the creation of openings for the installation of elevators, doors, windows, plumbing, utilities systems, and/or electrical and mechanical services, the removal of small amount of concrete for concrete sample analysis, and/or the removal of otherwise excess or unnecessary concrete structures during the course of construction.

INDUSTRY OVERVIEW

During the Track Record Period, our Group undertook both private and public sector projects and we will continue to pursue both private and public sector projects after [REDACTED]. According to the Ipsos Report, the availability of private and public sector construction projects in Hong Kong and Macau is expected to grow in the coming years as a result of, among others, the following key drivers:

The “Ten Major Infrastructure Projects” in Hong Kong and the increasing expenditures on infrastructure by the Hong Kong Government and the Macau Government

In 2007, the Hong Kong Government announced the “Ten Major infrastructure Projects”, which led to the continual growth in Hong Kong’s public expenditure on infrastructure. The “Ten Major infrastructure Projects” include South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line.

In recent years, the Hong Kong Government’s infrastructure investment has been maintained at high levels, with several construction and transportation projects being carried forward in parallel. From 2009 to 2014, the proportion of the value of infrastructure projects to the total value of all construction projects increased from about 23.7% to about 44.7%, which was mostly attributable to the “Ten Major Infrastructure Projects”. In addition, according to the 2016-2017 Budget of the Hong Kong Government, the Hong Kong Government will invest about HK\$86.1 billion on infrastructure between 2016 and 2017.

Investment in private sector projects in Hong Kong is also expected to increase as a result of the increase in expenditures on the “Ten Major infrastructure Projects” by the Hong Kong Government. With the development of public infrastructure, such as the South Island Line and the Sha Tin to Central Link, people can travel more conveniently around the city. Moreover, the Hong Kong Government has been planning to develop the North East New Territories New Development Areas and the Hung Shui Kiu New Development Areas. As a result, sustained investment in private sector construction projects in these areas is envisaged due to the expected rising demand for both public and private residential buildings as well as commercial and other buildings in these new development areas.

As these projects are yet to hit their peak, it is expected that the demand for construction services will continue to grow in Hong Kong.

In Macau, it is the policy of the Macau Government to develop the city’s infrastructure. In 2009, several public infrastructure were launched, including the construction of new campus of the University of Macau, the first phase of the Macau light rail transit, the ferry pier in Taipa, and the Hong Kong-Zhuhai-Macao Bridge alongside with the artificial islands for the bridge. In addition, multiple construction projects in relation to community centers, roads, prisons, fire stations, temples, sewage systems, slopes and hospitals were carried out between 2009 and 2014 in Macau. It is expected that the total expenditure on infrastructure development in Macau will continue to grow due to the ongoing expenditure by the Macau Government on various projects, such as major road construction, land reclamations in Taipa and Colane, the new public housing in North Taipa as well as the other ongoing construction projects mentioned above.

Initiatives in increasing housing supply and redevelopment works

Owing to the increase in the average waiting time for public rental housing and the increasing property prices in Hong Kong, the Hong Kong Government has made clear plans for increasing both land and housing supply in order to reduce the average waiting time for public rental housing and to stabilise the residential property prices according to the 2014

INDUSTRY OVERVIEW

Policy Address of the Hong Kong Government. The Hong Kong Government has also been encouraging the redevelopment of industrial buildings. The continual encouragement of redeveloping industrial properties and the increase in both land and housing supply by the Hong Kong Government are expected to result in the continued growth of the construction works in Hong Kong.

According to the "2010 to 2020 Long Term Housing Strategy" launched by the Macau Government, the Macau Government aimed to ensure a stable housing supply as a result of influx of foreign workers. The public housing targets under the "2010 to 2020 Long Term Housing Strategy" are expected to result in a relatively stable residential buildings under construction. Moreover, to address the overcrowding issue and sluggish traffic condition caused by the rising population in Macau, the Macau Government is investing on improvement of infrastructure and public utilities, which led to the demolition of some of the existing buildings, starting from 2013. Furthermore, to simulate Macau's tourism growth, the large-scale redevelopment of the Macau Fisherman's Wharf theme park, including the construction of three new hotels, commenced, which requires demolition of old facilities and is expected to stimulate the demands for construction works as well as concrete demolition works in Macau.

Increase in number of old buildings in Hong Kong

In 2010, there were about 17,000, 13,000, 11,000 and 4,000 buildings in Hong Kong that were aged over 20, 25, 30 and 50 years respectively according to the Buildings Department. The Buildings Department estimates that an average of about 570 buildings per annum will reach the age of 50 between 2010 and 2020. Also, the number of buildings aged over 50 years is also estimated to increase from approximately 4,000 in 2009 to approximately 9,500 in 2019. With the rising number of old buildings in Hong Kong, redevelopment projects and thus the demands for concrete demolition services are expected to increase as these old buildings increasingly pose danger to the public.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

Competitive landscape of concrete demolition industry in Hong Kong and Macau

Concrete demolition service providers in Hong Kong and Macau generally compete on the following:

(i) Reputation and track record

Reputation and track record is one of the primary selection basis for construction contractor to choose concrete demolition service providers. Customers generally prefer concrete demolition service providers who have a good reputation and satisfactory track record in terms of safety performance, timeliness in works performance, and quality of works.

(ii) Possession of adequate and advanced machinery

The performance of concrete demolition works requires various different types of machinery, such as coring machines, sawing machines, remote controlled demolition robots, etc. Concrete demolition service providers can either rent or acquire the machinery required in the performance of works. However, concrete demolition service providers who possess their own machinery have greater efficiency of work and can avoid delay caused by difficulties in renting sought-after machinery.

INDUSTRY OVERVIEW

(iii) Skilled and experienced workers

In view of the general labour shortage faced by the construction industry in Hong Kong and Macau, having sufficient skilled workers who are knowledgeable and experienced in operating various types of concrete demolition machinery and able to apply different demolition methods is one of the crucial factors for construction contractors in choosing concrete demolition service providers in Hong Kong and Macau.

(iv) Relationships with customers

The Ipsos Report stated that approximately 70% of concrete demolition jobs in Hong Kong and approximately 60-70% of concrete demolition jobs in Macau are awarded through direct invitation from customers where job opportunities are directly referred or presented to the contractor as a result of the contractor's established relationship with the customer or with other industry players who refer the customer to the contractor. Therefore, well-established presence and good relationships with customers is crucial for concrete demolition service providers to secure businesses opportunities.

Top five concrete demolition contracting service providers

Hong Kong

As of July 2016, there were more than 120 concrete demolition service providers operating in Hong Kong, with the top five providers together accounted for approximately 23.5% of the total revenue of the concrete demolition industry in Hong Kong in 2015. Our Group was the largest concrete demolition service providers in Hong Kong in 2015, accounting for approximately 7.2% of the total revenue of the concrete demolition industry in Hong Kong:

| Ranking | Firm | Market share |
|----------------|--------------------------------------|---------------------|
| 1 | Our Group | 7.2% |
| 2 | A company headquartered in Hong Kong | 6.0% |
| 3 | A company headquartered in Hong Kong | 4.0% |
| 4 | A company headquartered in Hong Kong | 3.4% |
| 5 | A company headquartered in Hong Kong | 3.0% |
| | | <hr/> |
| | | 23.5% |
| | | <hr/> <hr/> |

Macau

According to the Ipsos Report, concrete demolition service providers operating in Macau are mainly Hong Kong-based, such as our Group. The Ipsos Report was unable to reveal the market share data in the Macau market.

Entry barriers

(i) Lack of credibility and project experiences

Credibility is a key success factor for concrete demolition service providers. New entrants may find it hard to enter the industry because they do not have a good track record as the existing players do which can show the potential customers that they can deliver their works on time and with good quality. Therefore, new entrants may find it difficult to enter the industry due to their insufficient experience to compete with the existing players.

INDUSTRY OVERVIEW

(ii) High start-up costs

The concrete demolition industry requires large amounts of start-up costs because of high labor costs, substantial investment in different types of machinery such as remote controlled demolition robots, coring machines, sawing machines, etc. and higher costs for compliance of strict environmental and safety regulations in order to perform different types of concrete demolition works. In addition, considerable amount of time and costs may be involved in recruiting and training workers for operating different types of machinery and performing different types of concrete demolition works. Therefore, the considerable initial capital commitment for machinery and operation can be an entry barrier for new entrants.

(iii) Lack of established relationships with customers

New entrants without well-established relationship with customers in the concrete demolition industry in Hong Kong and Macau may find it difficult to secure business opportunities because, according to the Ipsos Report, approximately 70% of concrete demolition jobs in Hong Kong and approximately 60-70% of concrete demolition jobs in Macau are awarded through direct invitation from customers where job opportunities are directly referred or presented to the contractor as a result of the contractor's established relationship with the customer or with other industry players who refer the customer to the contractor. Therefore, the lack of established relationships with customers may be an entry barrier for new entrants.

POTENTIAL CHALLENGES

Labour shortage

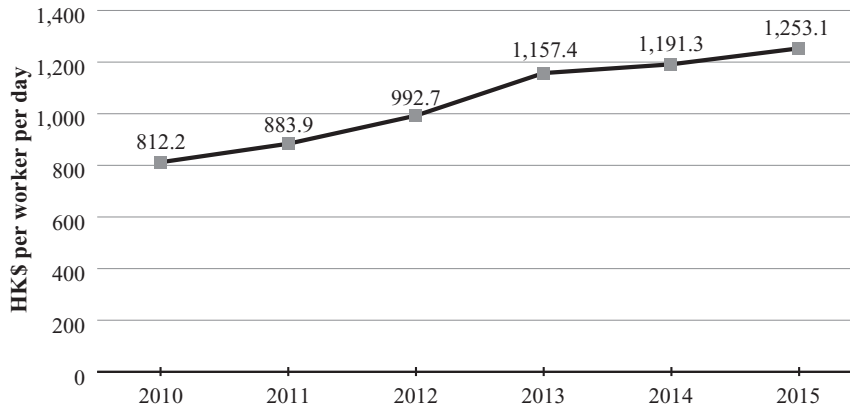
Staff costs and subcontracting charges are among our most significant cost items in our operation. Subcontracting charges, in turn, are directly affected by labour costs as subcontractors generally provide labours while we provide machinery to our subcontractors in a typical subcontracting arrangement.

According to the Ipsos Report, the construction industry in Hong Kong and Macau, including the concrete demolition industry, is suffering from labor 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 construction workers as a result of the general increase in the amount of construction works.

In Hong Kong, as of December 2015, only about 77.1% of the registered laborers were active in the construction industry, coupled with an ageing workforce whereby approximately 43.2% of the registered workers in 2015 were above the age of 50. The Ipsos Report also states that most construction contractors in Hong Kong have to start paying higher salaries to attract young people to join the construction industry and to provide generous salary increments to retain experienced workers to avoid the outflow to the Macau and the PRC markets. The graph below shows the estimated average daily wage per worker in the concrete demolition industry in Hong Kong from 2010 to 2015:

INDUSTRY OVERVIEW

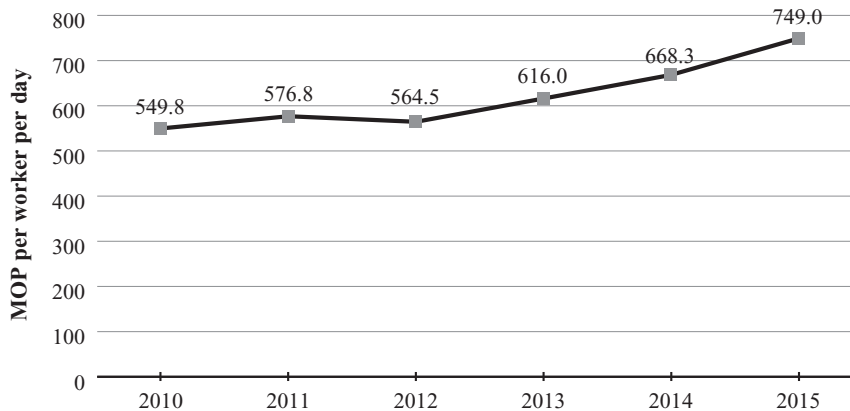
Average daily wage per worker in the concrete demolition industry in Hong Kong



Source: The Ipsos Report

In Macau, due to the large-scale housing and casino construction projects, the demand for construction workers in Macau, including the concrete demolition workers, have been increasing over the past few years. Due to the lack of the relevant data, the Ipsos Report was only able to reveal the average daily wage per worker in the Macau construction industry in general (instead of the concrete demolition industry), as shown in the graph below:

Average daily wage per worker in the construction industry in Macau



Source: The Ipsos Report

According to Ipsos, the average daily wages of construction works labor and the concrete demolition work labor are influenced by the market condition of the construction industry, public policy and the approval of public expenditure on the public works. Hence, the forecast figures may not be able to catch the aforementioned factors, and in this case, is inaccurate and misleading.

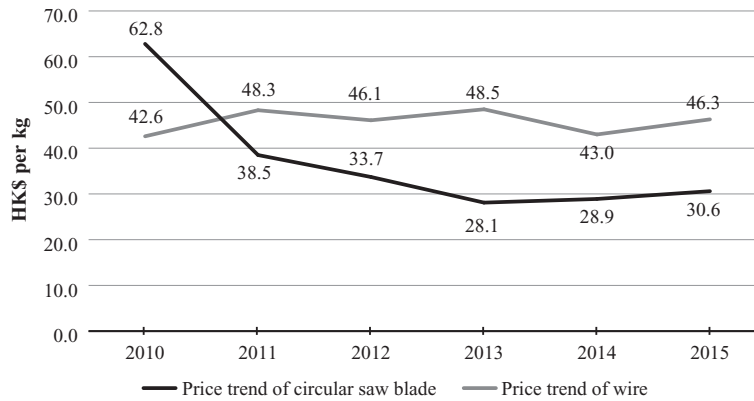
Fluctuating cost of consumables

We require various types of consumables such as saw blades and cutting wires for the performance of concrete demolition works.

The average cost of wires has increased from approximately HK\$42.6 per kg in 2010 to approximately HK\$46.3 per kg in 2015, while the average cost of circular saw blade has decreased from approximately HK\$62.8 per kg in 2010 to approximately HK\$30.6 per kg in 2015:

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Price trend of circular saw blade and wire in Hong Kong



Note 1: Circular saw blade includes circular saw blades with working part of steel and circular saw blades including parts.

Note 2: Wire includes wire of iron or non-alloy steel not plated or coated whether or not polished, wire of iron or non-alloy steel plated or coated with zinc or other base metals, other wire of iron or non-alloy steel, wire of stainless steel, wire of other alloy steel, copper wire of refined copper, copper wire of copper alloys and aluminum wire.

Source: The Ipsos Report

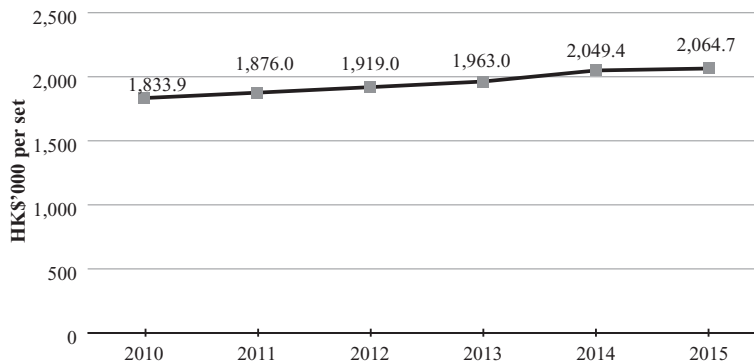
Any material fluctuations in the prices of cutting wires and saw blades may lead to fluctuation in the profit margin of our Group.

Increasing cost of remote controlled demolition robots

We make use of remote controlled demolition robots for the performance of concrete demolition works from time when considered appropriate and/or necessary.

According to the Ipsos Report, the price of remote controlled demolition robots demonstrated a general increasing trend over the past few years, which was mainly due to the continual launch of improving features of remote controlled demolition robots. The graph below shows the historical price trend of medium-sized remote controlled demolition robot from 2010 to 2015:

Historical price of medium-sized remote controlled demolition robot in Hong Kong



Source: The Ipsos Report

According to Ipsos, the forecast price trend of circular saw blade and wire as well as concrete demolition robot is not available because the price may be influenced by the demand of the construction works, which are also impacted by the public policy and government expenditure on public projects. Therefore, Ipsos is of the view that it will be inaccurate to include the forecast analysis for these two prices.

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This section summarises the principal laws and regulations of Hong Kong and Macau which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong and Macau laws which are relevant to our business.

THE LAWS AND REGULATIONS OF HONG KONG

A. Laws and Regulations in relation to Construction 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 Construction 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.

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 an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to take care of, 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;

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- 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 wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations, include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the 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 commits 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.

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:

- 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:
 - 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

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

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

The Commission for Labour may also issue an improvement notice against non-compliance of this 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. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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

Pursuant 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). Under Section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken

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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 this Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for 2 years.

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.

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

A principal contractor shall be subject to the provisions on sub-contractor'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 sub-contractor 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 sub-contractor 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 (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 (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 sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor 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 sub-contractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior sub-contractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5.

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 sub-contractor who pays an employee any wages under

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section 43C of the Employment Ordinance may either (1) claim contribution from every superior sub-contractor to the employee's employer or from the principal contractor and every other such superior sub-contractor 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 sub-contractor in respect of the work that he has sub-contracted.

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 on the land.

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.

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\$32.5 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 which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

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

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

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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.

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B. Laws and Regulations in relation to Environmental Protection

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 3110 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 carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered asbestos contractors 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)

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (the “**Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation**”) came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (the “**NRMMs**”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

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Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department's approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

Pursuant to a technical circular issued by the Work Branch of the Development Bureau on 8 February 2015 (the "**Technical Circular**"), an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular (the "**Implementation Plan**"), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding \$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively. Notwithstanding the Implementation Plan, exempted NRMMs may still be permitted at the discretion of the respective architect/engineer designated by the government if there is no feasible alternative. In accordance with a Legislative Council Brief issued by the Environmental Protection Department in January 2015 (the "**LC Brief**"), the panel in general supported the Development Bureau to require its construction contractors to progressively increase the use of NRMMs over four years in large-scale public work upon the enactment of the NRMM Regulation, although the LC Brief did not specify the contract sum of large-scale public work and it is conceded that it would not be practicable to set a mandatory retirement age for NRMMs across the board.

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

The Noise Control Ordinance controls, among others, the 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) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

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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 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 effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, and public drain. For any industry/trade generating wastewater discharge (except domestic sewage or unpolluted water that are discharged into communal sewer or communal drain), they are subject to licensing control by the Director of the Environmental Protection Department.

All discharges, other than domestic sewage or unpolluted water to communal sewer or communal drain, must be covered by an effluent discharge licence. The licence specifies the permitted maximum allowable quantity and effluent standards of the effluent. 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 (c) in addition, if the offence is a continuing offence, 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 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) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish

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a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed waste collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

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 the 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 under sections 16, 16A and 16B of this Ordinance commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 6 months for a second or subsequent offence and, in addition, if the offence is a continuing offence, 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.

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

Pursuant to Section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or if that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty of Section 127 as mentioned above is HK\$10,000 (level 3) upon conviction with a daily fine of HK\$200.

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

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$25,000 (level 4) upon conviction and a daily fine of HK\$450.

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Any accumulation or deposit which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

C. Laws and Regulations in relation to Contractor Licensing

(1) Registered Specialist Contractor

As at the Latest Practicable Date, Kingland (Sino) was registered with the Buildings Department as a Registered Specialist Contractor under the category of demolition works.

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as demolition works) specified in the category in the sub-register in which they are entered.

All demolition works to which the Building (Demolition Works) Regulations (Chapter 123C of the Laws of Hong Kong) apply (i.e. the demolition of a building or of any substantial or significant part of a building) are specialized works of the demolition works category unless all the following circumstances exist:

- (a) the building to be demolished is not in scheduled area number 1 as set out in the Buildings Ordinance;
- (b) no part of the building to be demolished exceeds 10 meter(s) above adjacent ground;
- (c) no structural element to be demolished has a clear span exceeding 6 meter(s) or a cantilever span exceeding 1 meter(s);
- (d) no part of the building to be demolished is in pre-stressed concrete construction;
- (e) no part of the building to be demolished is an earth-retaining structure with retaining height exceeding 1.5 meter(s); and
- (f) there are no other buildings within 5 meter(s) from the building to be demolished.

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The main contractors carrying out private sector demolition works are required to register or work together with contractors who are registered on either the list of register of general building contractors or the list of register of specialist contractors (sub-register of demolition works category) with the Buildings Department.

As advised by the Hong Kong Legal Counsel, for any demolition works where an entity is involved as a subcontractor, if there is a Registered Specialist Contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Building Authority, the entity itself is not required to be such registered specialist contractor or to obtain any requisite licences, permits and approval for its operation and business except the business registration. Having reviewed relevant court decisions, the Hong Kong Legal Counsel considered that the licence arrangement similar to the aforesaid is not uncommon, and was referred to in previous court cases. Based on his observation, there have been no adverse findings by the court that such licence arrangement is unlawful in Hong Kong.

Categories of Specialised Works

Section 8A(2) of the Buildings Ordinance empowers the Building Authority to designate categories of building works as specialised works that are required to be carried out by Registered Specialist Contractors. Currently, there are five categories of works designated as specialised works:

- (a) Demolition works;
- (b) Foundation works;
- (c) Ground investigation field works;
- (d) Site formation works; and
- (e) Ventilation works.

Requirements for registration as a Registered Specialist Contractor

Set out below are the requirements to register as a Registered Specialist Contractor under the Buildings Department.

Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as a 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) its ability to have access to plants and resources; and

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- (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.

Authorized Signatory, Technical Director and Other Officer

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' ("AS");
- (b) for a corporation – a minimum of one director from the board of directors of the applicant, hereinafter referred to as a 'Technical Director' ("TD") 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 a TD to manage the carrying out of building works and street works – an 'Other Officer' ("OO") authorised by the board of directors to assist the TD.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff 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 also satisfy the Building Authority 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 access to engaging qualified persons to carry out the relevant specialised duties.

REGULATORY OVERVIEW

Persons eligible to be the AS, TD or OO

The following persons are eligible to become the AS and TD of the applicant:

- (a) If the applicant is an individual, the applicant is the only person eligible to act as the AS.
- (b) If the applicant is a partnership, any partner appointed by all the other partners is eligible to act as the AS.
- (c) If the applicant is a corporation, a suitable person appointed by the board of directors is eligible to act as the AS, whereas the TD must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role as TD.

A person is permitted to take up the roles of the AS as well as the TD of a corporation at the same time provided that he meets the requirements of both the AS and TD.

If an OO is required, he is permitted to assist one TD only. In such case, the AS is not permitted to take up the role of an OO.

To ensure that adequate supervision and proper management are provided for carrying out of building works and street works and to avoid possible situations of conflict of interest, persons who have been accepted by the Building Authority as the AS or TD or OO for a registered contractor should not be appointed as the AS or TD or OO for another contractor simultaneously.

Disciplinary actions

The duties of a Registered Specialist Contractor 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.

Under Section 13 of the Buildings Ordinance, a Registered Specialist Contractor, or the director, officer or a person appointed by the Registered Specialist Contractor who fails to discharge any of the specified duties is subject to inquiry by the disciplinary board appointed under Section 11 of the Buildings Ordinance. The disciplinary board may, among others, order that (i) the name of the registered contractor or the name of the director, officer or person be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; (ii) the registered contractor or the director, officer or person be fined a sum up to HK\$250,000; and (iii) the registered contractor or the director, officer or person be reprimanded.

REGULATORY OVERVIEW

(2) Subcontractor Registration Scheme

As at the Latest Practicable Date, Kingland (Sino) was registered in the Subcontractor Registration Scheme of the Construction Industry Council under the trade specialties of general demolition and others (concrete coring and saw cutting).

Subcontractors, which are involved in, among others, demolition works, in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme (the "VSRS"), which was introduced by the Provisional Construction Industry Co-ordination Board (the "PCICB"). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) ("WBDB") on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the CEDD) requires that all public works contractors with tenders to be invited on or after 15 August 2004 to employ all sub-contractors (whether nominated, specialist or domestic) registered from the respective trades available under the VSRS.

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

Categories of registration under the Subcontractor Registration Scheme

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch out into around 94 specialties, including general demolition, and others (concrete coring and saw cutting) etc.

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

REGULATORY OVERVIEW

under the Primary Register of the Subcontractor Registration Scheme, the contractor shall ensure that all sub-contractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme.

Requirements for registration under the Subcontractor Registration Scheme

Applications for registration under the Primary Register of the Subcontractor Registration Scheme are subject to the following entry requirements:

- (a) completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaux or departments of the Hong Kong Government relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council; or
- (d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

Validity period of registration and renewal of registration

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee which oversees the Subcontractor Registration Scheme (the "**Management Committee**"). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for two years from the expiry of the current registration.

REGULATORY OVERVIEW

Codes of Conduct

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the "**Codes of Conduct**"). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee.

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

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

REGULATORY OVERVIEW

- (j) convictions for employment of illegal worker under the Immigration Ordinance; or
- (k) late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over ten days with solid proof of such late payment of wages and/or contribution.

Regulatory actions

The Management Committee may instigate regulatory actions by directing that:

- A. written strong direction and/or warning be given to a registered subcontractor;
- B. a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;
- C. a registered subcontractor be suspended from registration for a specified duration; or
- D. the registration of a registered subcontractor be revoked.

D. Laws and Regulations in relation to the Operation of Minor Works

Minor Works Control System

As at the Latest Practicable Date, Kingland (Sino) was registered with the Buildings Department as a Registered Minor Works Contractor.

Under the Buildings Ordinance, the carrying out of large-scale building works or works of a very simple nature are governed by the same set of controls, including the requirements to obtain prior approval and consent from the Buildings Department before commencement of works and to appoint authorized persons (i.e., architects, engineers and surveyors registered under the Buildings Ordinance), and registered professionals to design and supervise the works as well as registered contractors to carry out the works.

The Buildings Ordinance was amended in 2008 to provide for a minor works control system. The Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) ("**B(MW)R**") was passed by the Legislative Council in May 2009 to provide for a simplified control mechanism to facilitate the carrying out of minor works without prior approval of plans by the Buildings Department.

As advised by the Hong Kong Legal Counsel, for any minor works where an entity is involved as a subcontractor, if there is a Registered Minor Works Contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Building Authority, the entity itself is not

REGULATORY OVERVIEW

required to be such registered minor works contractor or to obtain any requisite licences, permits and approval to its operation and business except the business registration.

Classification of Minor Works

A total of 126 items of building works have been included as minor works under the B(MW)R. Detailed specifications for these 126 items of minor works are set out in Part 3 of Schedule 1 of the B(MW)R. These 126 items of minor works are classified into three classes according to their nature, scale, complexity and risk to safety.

- (1) Class I (total of 44 items) includes mainly those relatively more complicated minor works;
- (2) Class II (total of 40 items) comprises those of comparatively lower complexity and risk to safety; and
- (3) Class III (total of 42 items) mainly includes common household minor works.

Under each class of minor works, works are further classified into different types. There are 7 types of minor works corresponding to the specialisation of works in the industry:

- (1) Type A: Alteration & Addition Works
- (2) Type B: Repair Works
- (3) Type C: Works relating to Signboards
- (4) Type D: Drainage Works
- (5) Type E: Works relating to Structures for Amenities
- (6) Type F: Finishes Works
- (7) Type G: Demolition Works

Details of the minor works items under each type of works are set out in Part 2 of Schedule 1 of the B(MW)R.

Register of Minor Works Contractors

In order to ensure that only contractors who are able to perform their duties and responsibilities in a competent manner are allowed to carry out the respective items of minor works, they are required to be registered under the Buildings Ordinance.

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Under s.8A(1)(c) of the Buildings Ordinance, the Director of Buildings maintains a register of minor works contractors who are qualified to carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

There are two types of Registered Minor Work Contractors, namely Registered Minor Works Contractors (Individual) ("**RMWCs (Ind)**") and Registered Minor Works Contractors (Company) ("**RMWCs (Co)**"). RMWCs (Ind) are minor work contractors who are registered under s.10(1)(a) of the B(MW)R in the name of an individual self-employed worker. RMWCs (Ind) is only allowed to carry out various items of class III minor works. RMWCs (Co) are minor work contractors who are registered under s.10(1)(b) of the B(MW)R in the name of a company (including corporations, sole proprietorship and partnership) for carrying out various types and classes of minor works.

Requirements for registration as RMWC (Co)

Under s.12(5) of the B(MW)R, an applicant for registration as an RMWC(Co) must satisfy the Director of Buildings on the following aspects:

- (a) the appropriate qualifications and experience of its key personnel;
- (b) it has access to plants and resources;
- (c) if it is a corporation, its management structure is adequate;
- (d) the ability of the persons appointed to act for the applicant for the purposes of the Buildings Ordinance to understand the minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and
- (e) the applicant is suitable for registration in the register of minor works contractors.

Pursuant to s.12(6) of the B(MW)R, in deciding whether the applicant is suitable for registration in the register of minor works contractors, the Director of Buildings will take into account the following factors:

- (a) whether the applicant has any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works; and
- (b) whether any disciplinary order has been made against the applicant.

REGULATORY OVERVIEW

Authorised Signatory and Technical Director of RMWC (Co)

In considering each application for registration as an RMWC (Co), the Director of Buildings is to have regard to the qualifications, experience and suitability 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 the Authorised Signatory ("AS"); and
- (b) for a corporation – a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director ("TD"), who is authorised by the board to:
 - (i) have access to plants and resources;
 - (ii) provide technical and financial support for the execution of minor works; and
 - (iii) make decisions for the company and supervise the AS and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.

Persons eligible to be the AS or TD of RMWC (Co)

The following persons are eligible to become the AS and the TD of the applicant:

- (a) if the applicant is a sole proprietorship, the sole proprietor is the only person eligible to act as the AS.
- (b) if the applicant is a partnership, any partner appointed by all the other partners is eligible to act as the AS.
- (c) if the applicant is a corporation, a suitable person appointed by the board of directors is eligible to act as the AS, whereas the TD must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of TD.

A person is allowed to take up the role of the AS as well as the role of the TD of a corporation at the same time provided that he meets the requirements of both AS and TD.

To ensure that adequate supervision and proper management are provided for the carrying out of minor works and to avoid possible situations of conflict of interest, persons who have been accepted as the AS/TD for an RMWC (Co) cannot act as a key personnel for another contractor firm simultaneously.

REGULATORY OVERVIEW

Validity period of registration and renewal of registration

Pursuant to Section 13 of the B(MW)R, the registration as RMWC (Co) is valid for a period of three years commencing from the date of entry of the name in the register of minor works contractors maintained by the Director of Buildings. Under Section 14(1) and (2) of B(MW)R, an RMWC (Co) may apply to the Director of Buildings for renewal of registration within a period not earlier than four months and not later than 28 days prior to the expiry of the registration. A renewed registration will expire on the third anniversary of the expiry date of the previous registration.

Disciplinary actions

The duties of a Registered Minor Works Contractor 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.

Under Section 13 of the Buildings Ordinance, a Registered Minor Works Contractor, or the director, officer or a person appointed by the Registered Minor Works Contractor who fails to discharge any of the specified duties is subject to inquiry by the disciplinary board appointed under Section 11 of the Buildings Ordinance. The disciplinary board may, among others, order that (i) the name of the registered contractor or the name of the director, officer or person be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; (ii) the registered contractor or the director, officer or person be fined a sum up to HK\$250,000; and (iii) the registered contractor or the director, officer or person be reprimanded.

E. Laws and Regulations in relation to Electrical Works

Registered Electrical Contractor

As at the Latest Practicable Date, Kingland (Sino) was a Registered Electrical Contractor of the Electrical and Mechanical Services Department ("EMSD").

Under the Electricity Ordinance (Chapter 106 of the Laws of Hong Kong), all contractors engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department. To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or:

- (a) if the applicant is an individual, he/she must be a registered electrical worker; or
- (b) if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

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Under Regulation 13 of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), a registered contractor should apply to the Director of Electrical and Mechanical Services for renewal of registration not earlier than four months and not later than one month prior to the date of expiry of the registration. The application should comprise:

- (a) a duly completed specified form;
- (b) a copy of business registration certificate of the contractor;
- (c) a copy of the certificate(s) of registration of the registered electrical worker(s) of the contractor;
- (d) documentary proof(s) of employment of registered electrical worker(s) including a letter confirming the employment of the registered electrical worker(s) of the contractor; and
- (e) the prescribed fee in accordance with the Electricity (Registration) Regulations.

THE LAWS AND REGULATIONS OF MACAU

A. Commercial Corporations and Commercial Entrepreneurs

Macau Commercial Code

Pursuant to Article 61 under the Macau Commercial Code, commercial registration aims to disclose the legal status of the commercial entrepreneur and the enterprise so as to protect the security of transactions that are under protection of the law. All relevant commercial registrations are carried out at Businesses and Vehicles Registry.

B. Works Licence

Decree-Law No. 79/85/M

Decree-Law No. 79/85/M stipulates the administrative regulations of project review, filing of approval, and licence issuance and inspection in conducting civil engineering. No construction of new building, reconstruction, repair, maintenance, alteration or expansion to the existing buildings, demolition of building, and any project or work resulting in topographical change shall be conducted without the approval of the Land, Public Work and Transport Bureau approval on the related project and its issuance of relevant licence.

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In order to conduct the aforementioned projects, interested parties shall notify the Bureau the proposed project and the expected commencement and completion dates of the construction, by filling out the specific form provided by the Bureau accompanied by the signed declaration of construction company or builder who has registered at the Bureau, and submitting other project-related documents required by the Bureau.

Upon inspecting the aforementioned documents submitted by the interested parties, the Bureau shall affix a specific seal on the form and shall send it back to the interested parties. The interested parties shall post the form conspicuously at the project site when conducting the project.

The Bureau has the authority to monitor the compliance of the aforementioned Decree-Law and its supplementary law. Only legal persons who are locally registered in Macau shall be approved of the related project plan and shall be issued project licence by the Bureau. The project plan for the approval of the Bureau, or project draft and project amendment, shall be pre-signed by a technician who is registered with the Bureau. The project guidance of the approved plan shall be conducted by a qualified technician who is registered with the Bureau. The project implementation of the approved plan shall only be conducted by construction company or constructor who is registered with the Bureau. During the implementation, it is permitted to conduct specified project items according to the approved content in project plan through contract employment or outsourcing to third party.

The accreditation of qualification to a construction company or a constructor is conducted according to the application submitted to the Bureau, accompanied with a tabulated list of all technical tools possessed and a list of completed projects.

C. Legitimacy Taxation

Macau Industrial Tax Regulation

Pursuant to clause 1 of Article 2 of the Macau Industrial Tax Regulation, natural person or legal person who engages in any industrial or commercial activities is subject to industrial tax. Nevertheless, pursuant to Article 11 of Law no. 9/2014, the activities stated in table 1 and table 2 of Macau Industrial Tax Regulation attached to Law no. 15/77/M which was approved on 31 December is exempted from industrial tax by the Macau Special Administrative Government for the year 2015.

Complementary income tax is levied on the total income earned within the territory by a natural person or legal person regardless of its residence. Pursuant to the provisions under Article 12 of Law no. 9/2014, under which the applicable tax rate is specified in Article 7 of Regulation on Complementary Income Tax approved by Law no. 21/78/M on 9 September, the allowance for taxable complementary income tax for the year 2014 is set at MOP300,000.00; any income exceeding such amount is subject to tax rates of 9% and 12%, depending on the range of the amount in excess.

REGULATORY OVERVIEW

D. Labour, Health and Safety

Law no. 7/2008 "Labour Relations Law"

Law no. 7/2008 "Labour Relations Law" is a general regime that defines labour relations. In Macau, an employer has the right to set out rules to be obeyed by employees within the working environment as required by relevant regulations and formulates a set of company rules that states clearly the working arrangement and discipline, and the implementation thereof shall not result in working conditions inferior to that as required by such law. Article 33 under the same law requires normal working hours for employees of not more than 8 hours per day and 48 hours per week, and the employees are entitled to a consecutive 24-hour day-off per week with payment. Employees who worked for a full year are entitled to paid annual leave of not less than 6 working days in the coming year. Where an employer violates against the law due to non-performance of the obligation as required by Law no. 7/2008, he/she may still has to fulfil such obligation in addition to a punishment and a fine or penalty.

Decree Law no. 40/95/M

Decree Law no. 40/95/M defines the system applicable to compensation for loss arising from occupational accidents and occupational diseases. It is applicable to all employees of any industry who are entitled to compensation for loss arising from occupational accidents and occupational diseases as provided by such law. Where occupational accidents occur outside the territory, employees who are employed and work for an employer who legally engages in business in Macau shall be entitled to compensation as stipulated by such law except for compensation granted to such employee and his/her family under the law of the place to where the accidents occur. Where the compensation granted under the law of the place to where the accidents occur is inferior to that as required by such law, the employer shall afford the difference therewith. Employers shall take out mandatory insurance to cover compensation for employees injured in work accidents or suffer from occupational diseases.

Decree Law no. 37/89/M

Decree Law no. 37/89/M ensures a working environment under good hygiene and safety conditions and all commercial, office, and labour services shall be carried out under a good working environment.

Decree Law no. 13/91/M

Decree Law no. 13/91/M defines the sanctions for the incompliance of general regulation on occupational safety and hygiene in commercial, office, and labour service establishments. An employer who is incompliance with the rules set out in the general regulation on occupational safety and hygiene in commercial, office, and labour service establishments approved under the said Decree-Law no. 37/89/M shall be subject to punishment.

REGULATORY OVERVIEW

Law no. 4/2010

Law no. 4/2010 defines social security system and aims at providing basic society security, especially retirement pension, for Macau residents, in order to improve living standard. All employers who maintain employment relationships shall make registration with society security fund and make contribution therefore. The beneficiary (i.e. employee) and the employer are obliged to make contribution to society security fund. Society security system covers allowances for disability, unemployment, births, marriages and funerals. The system also includes other society security measures set out in the specific subsidy plan approved by the chief executive.

Chief Executive Dispatch no. 121/2015 amends Law no. 4/2010 in the amounts for retirement pension and disability allowances to MOP3,350 and MOP3,350 respectively and the amount for welfare subsidies to MOP2,200.

Chief Executive Dispatch no.373/2010 defines the monthly contribution to be MOP45 per month as required by Law no. 4/2010. The respective contribution proportions by the beneficiary (i.e. employee) and the employer shall be 1:2

Administrative Regulation no. 13/2010 is a standardisation of conditions or burdens that included in the permit for the employment of non-resident workers, which includes, among other things, regular body check for employees, designated working locations, compliance with the minimum number of resident workers hired, acceptance for reassessment on the allowed number of non-resident workers and other conditions and burdens as the approval authority may consider reasonable and appropriate.

Pursuant to the provisions in Law no. 21/2009 (Law for the employment of non-resident workers), before hiring a non-resident worker to work in Macau, permission shall be obtained by the employer in advance by submitting an application to the Human Resources Office of Macau. Once approved, the non-resident worker being employed shall apply for an "Authorisation to Stay for Non-resident Workers" and a "Non-resident Worker's Identification Card" from the Public Security Police Force of Macau before commencing work in Macau. Item 1 of Article 5 of the Law provides that the following persons are authorised to hire non-resident workers: (1) Macau residents; (2) legal persons with their head-office or an establishment in the Macau; (3) non-residents with a commercial or industrial establishment in the Macau.

Administrative Regulation no. 8/2010

Administrative Regulation no. 8/2010 is a standardization of the grant of the permit for employment of non-resident workers, the grant of stay permit, payment of employment fee and the use of received employment fee. Application for employment permit shall state clearly the proposed salary and other major labour conditions for non-resident workers by the employer. Non-resident workers are qualified to provide services within Macau after being granted "Authorisation to Stay for Non-resident Workers" that remains in force at such time when the services provided. The employer

REGULATORY OVERVIEW

shall pay the employment fee for the previous quarter in January, April, July and October with the payment slip which form approved under the society security fund. The received employment fee shall be considered as income for society security fund.

Pursuant to the Regulation on Prohibition of Illegal Work (Article 4 of Administrative Regulation no. 17/2004), under exceptional cases, where a non-resident of Macau agrees with a natural person or legal person whose residence is located within Macau to specifically or occasionally carry out works or provide services, especially for the provision of consultative, technical, quality controlling or auditing services by a non-resident worker of Macau, he/she may work or provide services continuously or intermittently for no more than 45 days during the six months stay in Macau. The above-said six-month period commences on the day when such non-resident is permitted to legally enter the territory of Macau, and records on the actual dates on which such person provides services shall be maintained.

Whenever the Labour Affairs Bureau, the Public Security Police Force, or the Customs Service consider that an activity carried out by a non-resident does not comply with the above situation, they shall immediately notify the natural person or legal person of Macau to whom such non-resident of Macau provides services, and such natural person or legal person shall terminate the activities of such non-resident immediately after being notified.

The natural person or legal person of Macau who violates the limitations and conditions as stipulated in Article 4 of the Regulation regarding on prohibition of illegal work shall be subject to a penalty of \$20,000.00 MOP to \$50,000.00 MOP for each involved employee and shall be held liable for criminal charges.

HISTORY AND DEVELOPMENT

OUR CORPORATE HISTORY

Overview

Our Company was incorporated in the Cayman Islands with limited liability on 5 January 2015. Our Company completed the Reorganisation on 22 November 2016 in preparation for the [REDACTED] pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” under this section.

Our history can be traced back to 1985 when Mr. Chan contributed to the establishment of the business of Kingland Concrete with his personal funds, and Mr. Cheung has been a director of Kingland Concrete since its incorporation. In around 1990, in recognition of Mr. Cheung’s contribution to the business development of Kingland Concrete, Mr. Chan and a fellow shareholder (the “**Individual**”) invited Mr. Cheung to subscribe for shares in Kingland Concrete. Mr. Cheung, being confident in the prospects of the concrete demolition works market in Hong Kong, decided to invest in Kingland Concrete with his personal funds. Each of Mr. Cheung and Mr. Chan currently has more than 30 years of experience in the concrete demolition industry. For further details, please refer to the section headed “Directors and Senior Management” in this document. Our Group formerly carried out concrete demolition business in Hong Kong through Kingland Concrete (which was controlled by Mr. Cheung and Mr. Chan together throughout the Track Record Period). In early 2015, with a view to have a more focused line of business and streamline the business activities of our Group in Hong Kong, the concrete demolition business of our Group in Hong Kong (except for the 42% interest in the issued share capital of Shanghai Longxin) was transferred from Kingland Concrete to Kingland (Sino), an indirect wholly-owned subsidiary of our Company. Following the completion of the Transfer of Business, Kingland (Sino) became our operating subsidiary in providing concrete demolition services in Hong Kong.

Our Group is principally engaged in the provision of concrete demolition services in Hong Kong and Macau. We operate our business through our operating subsidiaries namely, Kingland (Sino) and Kingland Macau, each an indirect wholly-owned subsidiary of our Company. Platinum Faith and Alpha Eastern Holdings are the intermediate holding companies of our Group, whereas Kingland (Sino) and Kingland Macau are our operating subsidiaries which perform our daily operation.

HISTORY AND DEVELOPMENT

Major developments and milestones

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

| Year | Event |
|-------------|--|
| 1985 | Our Group commenced concrete demolition business in Hong Kong through Kingland Concrete |
| 1999 | Kingland Concrete was awarded the safety award certificate for the month of September 1999 by one its then customers |
| 2000 | Kingland Concrete became a member (valid until March 2005) of the Drilling and Sawing Association, an organisation based in the United Kingdom that supports companies involved in the drilling and sawing industry, committed to improving standards and establishing better codes of safe working practice, education and training |
| 2004 | Kingland Concrete became a registered subcontractor under the Voluntary Subcontractor Registration Scheme (currently known as the Subcontractor Registration Scheme) of the Provisional Construction Industry Co-ordination Board under the trade specialties of general demolition and others (concrete coring and saw cutting) |
| 2006 | Our Group commenced concrete demolition business in Macau through Kingland Macau |
| 2008 | Kingland Concrete participated in the demolition works of the Hong Kong Convention and Exhibition Centre expansion project |
| 2009 | Kingland Concrete became a member of the Green Cross Group of the Occupational Safety and Health Council |
| 2010 | Kingland Concrete became a registered subcontractor under the Voluntary Subcontractor Registration Scheme (currently known as the Subcontractor Registration Scheme) of the Construction Industry Council under the trade specialties of general demolition and others (concrete coring and saw cutting) |
| 2012 | Kingland Concrete participated in the underwater concrete cutting works of the Central – Wanchai Bypass Tunnel project |

HISTORY AND DEVELOPMENT

| Year | Event |
|------|---|
| 2015 | <p>Our Company was incorporated as part of the Reorganisation for the purpose of the [REDACTED]</p> <p>Kingland (Sino) was incorporated</p> <p>Pursuant to the Business Transfer Agreement, the concrete demolition business of our Group in Hong Kong was transferred from Kingland Concrete to Kingland (Sino)</p> <p>Kingland (Sino) was registered under the Subcontractor Registration Scheme of the Construction Industry Council for general demolition and others (concrete coring and saw cutting)</p> <p>Kingland (Sino) was registered as a Registered Minor Works Contractor of the Buildings Department</p> <p>Kingland (Sino) was registered as a Registered Electrical Contractor of the Electrical and Mechanical Services Department</p> |
| 2016 | <p>Kingland (Sino) was registered as a Registered Specialist Contractor of the Buildings Department under the category of demolition works</p> |

Our Group structure and corporate history

The following describes the corporate history of our Company and its subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands on 5 January 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. Upon its incorporation, one nil-paid Share was allotted and issued to the subscriber, being an independent third party, which was later transferred to Sino Continent on the same date. One nil-paid Share was also allotted and issued to Supreme Voyage on the same day. After the aforesaid allotment and issue of Shares, the issued share capital of our Company was owned by each of Sino Continent and Supreme Voyage in equal shares.

On 22 November 2016, as part of the Reorganisation, our Company acquired 375, 375 and 250 shares in Platinum Faith (in aggregate representing the then entire issued share capital of Platinum Faith) from Mr. Cheung, Mr. Chan and Applewood Developments, respectively. In consideration thereof, (i) the one nil-paid Share held by each of Sino Continent and Supreme Voyage was credited as fully paid, respectively; and (ii) 374, 374 and 250 new Shares were issued and allotted to Sino Continent, Supreme Voyage and Applewood Developments, all credited as fully paid, respectively.

HISTORY AND DEVELOPMENT

As a result of the Reorganisation, our Company became the holding company of our Group. Platinum Faith and Alpha Eastern Holdings are the intermediate holding companies of our Group.

Platinum Faith

In anticipation of the [REDACTED] and the Reorganisation, Platinum Faith, an intermediate holding company of our Group, was incorporated on 16 October 2014 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued to each of Mr. Cheung and Mr. Chan on 10 November 2014, respectively. After the aforesaid allotment and issue of shares, the entire issued share capital of Platinum Faith was owned by Mr. Cheung and Mr. Chan in equal shares.

On 24 December 2015, 250 shares were allotted and issued by Platinum Faith to Applewood Developments, credited as fully paid, at the consideration of HK\$15,000,000. For details, please refer to the paragraph headed "Pre-[REDACTED] Investment" under this section. On the same date, 374 shares were allotted and issued to each of Mr. Chan and Mr. Cheung at par. After the aforesaid allotment and issue of shares, the issued share capital of Platinum Faith was owned as to 37.5% by Mr. Chan, as to 37.5% by Mr. Cheung and as to 25% by Applewood Developments.

On 22 November 2016, our Company acquired 375, 375 and 250 shares in Platinum Faith (in aggregate representing the entire issued share capital of Platinum Faith) from Mr. Cheung, Mr. Chan and Applewood Developments, respectively. In consideration thereof, (i) the one nil-paid Share held by each of Sino Continent and Supreme Voyage was credited as fully paid, respectively; and (ii) 374, 374 and 250 new Shares were issued and allotted to Sino Continent, Supreme Voyage and Applewood Developments, all credited as fully paid, respectively. After the aforesaid transfers of shares, Platinum Faith became a wholly-owned subsidiary of our Company.

Alpha Eastern Holdings

In anticipation of the [REDACTED] and the Reorganisation, Alpha Eastern Holdings, an intermediate holding company of our Group, was incorporated in the BVI on 22 January 2016. On 3 March 2016, one fully paid share was allotted and issued to Platinum Faith. After the aforesaid allotment and issue of share, Alpha Eastern Holdings became a wholly-owned subsidiary of Platinum Faith.

On 22 November 2016, as part of the Reorganisation, our Company acquired one share in Alpha Eastern Holdings (representing the entire issued share capital of Alpha Eastern Holdings) from Platinum Faith at a nominal consideration of US\$1.00. After the aforesaid transfer of share, Alpha Eastern Holdings became a wholly-owned subsidiary of our Company.

HISTORY AND DEVELOPMENT

Kingland (Sino)

Kingland (Sino) was incorporated in Hong Kong with limited liability on 16 January 2015. Upon its incorporation, one ordinary share was allotted and issued to Platinum Faith.

On 26 January 2015, Kingland (Sino) entered into the Business Transfer Agreement with Kingland Concrete regarding the transfer of Kingland Concrete's business, assets (save and except for the interest in 42% of the issued capital of Shanghai Longxin), employees and liabilities to Kingland (Sino).

Under the Business Transfer Agreement:–

- (a) Kingland (Sino) agrees to issue and allot one ordinary share to each of Mr. Chan and Mr. Cheung;
- (b) Kingland Concrete agrees to transfer to Kingland (Sino) (i) the business of concrete demolition services in Hong Kong under the business name of Kingland Concrete Drilling; and (ii) all tangible and intangible assets of Kingland Concrete (save and except for the interest in 42% of the issued capital of Shanghai Longxin) as at the completion date of the Transfer of Business; and
- (c) Kingland (Sino) agrees to assume all liabilities of Kingland Concrete (whether existing, actual, contingent or otherwise) as at the completion date of the Transfer of Business.

The completion of the Transfer of Business took place on 28 February 2015. On the same date, pursuant to the Business Transfer Agreement, Kingland (Sino) issued and allotted one ordinary share to each of Mr. Chan and Mr. Cheung at the consideration of HK\$1.00. After the aforesaid allotment and issue of shares, the entire issued share capital of Kingland (Sino) was owned by Mr. Cheung, Mr. Chan and Platinum Faith in equal shares.

On 20 March 2015, each of Mr. Cheung and Mr. Chan transferred his one share in Kingland (Sino) to Platinum Faith, at the consideration of HK\$1.00, respectively. After the aforesaid transfer of shares, Kingland (Sino) became a wholly-owned subsidiary of Platinum Faith.

Kingland Macau

Kingland Macau was established in Macau on 1 March 2006 with a share capital of MOP25,000 with Mr. Mak and Ms. Mak each holding 50% equity interests therein.

Pursuant to an entrustment arrangement (the "**Entrustment Arrangement**") in March 2006 among Mr. Cheung, Mr. Chan, Mr. Mak (the then project manager of Kingland Concrete) and Ms. Mak, each of Mr. Mak and Ms. Mak was entrusted by Mr. Cheung and Mr. Chan to hold, as registered owner, 50% equity interests in Kingland Macau on behalf of them. As such, under the Entrustment Arrangement, Mr. Cheung and Mr. Chan were the beneficial owners of Kingland Macau, each holding 50% equity interests therein.

HISTORY AND DEVELOPMENT

Back in early 2006, Mr. Cheung and Mr. Chan decided to appoint Mr. Mak and Ms. Mak as the trustees in holding their interests in Kingland Macau, considering that:

- (i) Mr. Mak (currently the chief technical officer of our Group) has been actively involved in the overall operation of Kingland Concrete and working closely with Mr. Cheung and Mr. Chan since July 1996;
- (ii) the then project manager of Kingland Concrete, Mr. Mak, was expected to handle the overall operation of Kingland Concrete and general and administrative matters of Kingland Macau. As Mr. Cheung and Mr. Chan were mainly focused on the management and operation of Kingland Concrete in Hong Kong and they confirmed that it would not be time-effective for them to personally travel to Macau for administrative matters related to Kingland Macau (given that, at the time of entering into the Entrustment Arrangement, Kingland Macau was at the preparation stage of its business operation). Thus, it would be administratively convenient to have Mr. Mak appointed as a nominal shareholder of Kingland Macau; and
- (iii) under the then relevant Macau laws and regulations, a company incorporated in Macau with limited liability is required to have at least two shareholders in place (otherwise the incorporated Macau company will carry the term "single shareholder" in its company's name), and, in order to fulfil such requirement, Mr. Mak suggested, and Mr. Cheung and Mr. Chan agreed, that it would be viable to invite Ms. Mak to act as a fellow nominal shareholder of Kingland Macau along with himself because Ms. Mak, as a relative of him, was then in retirement and prepared to assist Mr. Mak to handle matters of Kingland Macau on a voluntary basis (if necessary).

As advised by the Macau Legal Counsel, the Entrustment Arrangement was valid and enforceable among the parties thereto and did not contravene any applicable Macau laws or regulations.

In anticipation of the [REDACTED] and the Reorganisation, on 15 March 2016, Alpha Eastern Holdings acquired the entire equity interest in Kingland Macau from Mr. Mak and Ms. Mak (as instructed by Mr. Cheung and Mr. Chan as beneficial owners) at a nominal consideration of MOP12,500 and MOP12,500, respectively. After the aforesaid transfer of shares, the Entrustment Arrangement was terminated and Kingland Macau became a direct wholly-owned subsidiary of Alpha Eastern Holdings.

PRE-[REDACTED] INVESTMENT

Pre-[REDACTED] Investment

On 24 December 2015, Platinum Faith entered into a subscription agreement (the "**Subscription Agreement**") with each of Applewood Developments, Mr. Cheung and Mr. Chan, pursuant to which Platinum Faith allotted and issued, and Applewood Developments subscribed for, 250 shares of Platinum Faith at the consideration of HK\$15,000,000.

HISTORY AND DEVELOPMENT

On the same day, 374 shares were allotted and issued by Platinum Faith to each of Mr. Chan and Mr. Cheung at par. After the aforesaid allotment and issue of shares, the issued share capital of Platinum Faith was owned as to 37.5% by Mr. Chan, 37.5% by Mr. Cheung and 25% by Applewood Developments, respectively.

The following table sets forth the details of the Subscription Agreement:

| | |
|--|---------------------------|
| Name of the investor | Applewood Developments |
| Number of shares in Platinum Faith subscribed for | 250 shares |
| Total consideration | HK\$15,000,000 |
| Date of investment | 24 December 2015 |
| Payment date | 24 December 2015 |
| Number of Shares held by the investor upon the [REDACTED] | [REDACTED] |
| Percentage of shareholding of the investor upon the [REDACTED] | [REDACTED]% |
| Effective purchase cost per Share (approximately) | HK\$[REDACTED] |
| Discount to the [REDACTED] of HK[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED] | approximately [REDACTED]% |

The consideration for the aforesaid subscription of shares of Platinum Faith by Applewood Developments was arrived at after arm's length negotiations between Applewood Developments and Platinum Faith with reference to the expected discounted cash flow of our Group. It is expected that the proceeds from the Subscription Agreement will be fully utilised on or before the [REDACTED] principally for payment of Listing expenses, as this would in turn allow the Group to preserve more of its working capital for daily operations.

Mr. Kwok (and/or Applewood Developments) has not been involved in any investment or dealings with our Group and/or any connected persons of our Company save for the Pre-[REDACTED] Investment. After the introduction of our Group to Mr. Kwok by our Mr. Cheung in a social event in 2014, Mr. Kwok expressed interests in investing in our Group and was then invited to conduct several visits to our Group. Mr. Kwok (through Applewood Developments) invested in us because he was attracted by our growth potential and prospects as a whole. Our Directors believe that the Pre-[REDACTED] Investment will enhance our cash-flow position and broaden our Shareholder's base, which in turn will benefit our Company and our Shareholders as a whole.

HISTORY AND DEVELOPMENT

The subscription of shares by Applewood Developments in Platinum Faith was properly and legally completed and settled on 24 December 2015.

Pursuant to the Subscription Agreement, Mr. Kwok and/or Applewood Developments is not entitled to any special rights or privileges in connection with its investment in Platinum Faith.

Applewood Developments and Mr. Kwok have undertaken to the Stock Exchange that they shall not, within the period commencing on the [REDACTED] and ending on the date falling thirty months thereafter, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the beneficial interest in the Shares held by Applewood Developments.

As the Shares held by Applewood Developments immediately following completion of the [REDACTED] and the [REDACTED] will account for [REDACTED]% of the issued share capital of the Company, Mr. Kwok, through his shareholding in Applewood Developments, and Applewood Developments will become Substantial Shareholders. Mr. Kwok should not be regarded as a member of the public at and after the [REDACTED] and Mr. Kwok's shareholding (through Applewood Developments) in the Company should not be counted toward the public float for the purpose of Rule 11.23 of the GEM Listing Rules.

The Sponsor confirmed that the Pre-[REDACTED] Investment was in compliance with the interim guidance and guidance letters on pre-[REDACTED] Investments issued by the Stock Exchange and the Pre-[REDACTED] Investment has been completed at least 28 clear days before the date of the first submission of the [REDACTED] application form in respect of the [REDACTED].

Information on the Pre-[REDACTED] investor

Applewood Developments was incorporated in the BVI on 14 December 2015 with limited liability and is an investment holding company. As at the Latest Practicable Date, one fully paid ordinary share, representing the entire issued share capital of Applewood Developments, was owned by Mr. Kwok. In deciding to invest in our Group, Mr. Kwok has undertaken certain due diligence work, including discussion with our senior management, studying our services process, conducting researches on the prospect of the concrete demolition industry in Hong Kong and Macau. As part of the due diligence work, Mr. Kwok discussed with the senior management regarding the business operation and management. During the discussion, Mr. Kwok has shared his experience in corporate management and development strategy.

Mr. Kwok graduated from the Hong Kong University of Science and Technology with a bachelor degree of Business Administration in Accounting in 1999. He also received a master degree of science in China Business Studies from The Hong Kong Polytechnic University and a master degree of laws (International Economic Law) from the City University of Hong Kong in 2004 and 2008, respectively. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants.

HISTORY AND DEVELOPMENT

Mr. Kwok is currently a member of Guangdong Province Zhaoqing City Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省肇慶市委員會). He has also held the positions of vice-chairperson and director of the 37th term board of director, and member of the corporate governance and audit committee of Yan Oi Tong Limited, a non-profit organization. Mr. Kwok has introduced another board member of Yan Oi Tong Limited, Mr. Chan Yiu Tung, to our Group. Mr. Chan Yiu Tung is the president of The Hong Kong Registered Contractors Association which is mainly consisted of contractors in Hong Kong. After considering the potential business opportunities, industry insights and information from other contractors and construction professionals, our Group has applied to join The Hong Kong Registered Contractors Association.

Mr. Kwok held the position of director in several listed companies in Hong Kong and was appointed as the director of Guoxin Capital Company Limited since May 2010. Mr. Kwok was a responsible officer of a number of licensed securities and asset management companies; and the company secretary and authorised representative of Tianjin Jinran Public Utilities Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1265). In addition, Mr. Kwok was an executive director and a non-executive director of Convoy Global Holdings Limited (formerly known as Convoy Financial Services Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1019). Mr. Kwok is currently a licensed representative of Gransing Securities Company Limited.

Amongst other investments, on 27 November 2012, Mr. Kwok invested in Finsoft Corporation (stock code:8018) through Efficient Channel Limited, a company incorporated in the BVI and wholly-owned by Mr. Kwok. In addition, through Noble Core Limited (a wholly-owned company incorporated in the BVI), Mr. Kwok entered into agreements to invest in China Candy Holdings Limited (stock code: 8182) on 24 February 2014.

Our Directors believe that (i) Mr. Kwok is well experienced in the fields of investment, corporate management and corporate governance which can be beneficial to the long-term growth of the Group; (ii) by leveraging on the network of Mr. Kwok, our Group is able to enhance our Group's corporate image, business network and client base; and (iii) with over 13 years of experience in the finance industry, Mr. Kwok is capable of and has been assisting the Group in relation to its [REDACTED], including introducing professional parties to our Group, reviewing relevant documentation, advising our Group on, amongst others, its business, corporate strategy and future business development.

Save as disclosed in this document, to the best knowledge of our Directors, as at the Latest Practicable Date, (a) no shareholder agreement has been entered into among Mr. Cheung, Sino Continent, Mr. Chan, Supreme Voyage, Mr. Kwok and/or Applewood Developments and (b) Mr. Kwok and Applewood Developments were independent of Platinum Faith and our Company before the Pre-[REDACTED] Investment.

HISTORY AND DEVELOPMENT

EXCLUDED COMPANIES

Kingland Concrete

Kingland Concrete was incorporated in Hong Kong with limited liability on 9 July 1985. Upon its incorporation, Kingland Concrete issued and allotted one ordinary share to each of Mr. Chan and the Individual, at the consideration of HK\$100, respectively. After the aforesaid issue and allotment of shares, Kingland Concrete was owned by Mr. Chan and the Individual in equal shares.

In around 1990, Mr. Cheung, a director of Kingland Concrete, invested in Kingland Concrete by way of share subscription. On 25 September 1990, Kingland Concrete issued and allotted 100 shares, 99 shares and 99 shares to Mr. Cheung, Mr. Chan and the Individual at a consideration of HK\$10,000, HK\$9,900 and HK\$9,900, respectively. After the aforesaid issue and allotment of shares, Kingland Concrete was owned by Mr. Cheung, Mr. Chan and the Individual in equal shares.

On 1 December 1998, with a view of group restructuring, Kingland Concrete issued and allotted 11,700 shares to Kingland Holdings at a consideration of HK\$1,170,000. After the aforesaid issue and allotment of shares, Kingland Concrete was owned as to 97.5% by Kingland Holdings, as to 0.83% by Mr. Cheung, as to 0.83% by Mr. Chan and as to 0.83% by the Individual ^(Note).

For the period between 2000 and 2014, Mr. Cheung, Mr. Chan and the Individual, among others, 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 further details, please refer to the section headed “Directors and Senior Management – Shareholders’ Dispute” in this document. Pursuant to the Deed of Settlement and on 21 November 2014, the Individual transferred 50 shares of Kingland Concrete to each of Mr. Cheung and Mr. Chan at a nominal consideration of HK\$1.00, respectively. The consideration of the aforesaid transfer of shares was determined with reference to, among other factors, that following the transfer and settlement of the Court Proceedings, an amount due from the Individual of approximately HK\$733,000 was written off by Kingland Concrete, and such amount written-off was taken into account in arriving the sum of the consideration. As advised by the Hong Kong Legal Counsel, the aforesaid transfer of shares was legally valid. After the aforesaid transfers of shares, Kingland Concrete was owned as to 1.25% by Mr. Cheung, as to 1.25% by Mr. Chan and as to 97.5% by Kingland Holdings.

Reasons for exclusion from our Group

Our Group formerly carried out concrete demolition business in Hong Kong through Kingland Concrete since our establishment. However, given that Kingland Concrete was also the holding company of the investment in the interest in 42% of the issued capital of Shanghai Longxin, and with a view to have a more focused line of business and clearer delineation of (i) our business activities in Hong Kong and Macau; and (ii) the investment in Shanghai, on 26 January 2015, the Business Transfer Agreement was entered into between

Note: As at 1 December 1998, Kingland Holdings was owned by Mr. Cheung, Mr. Chan and the Individual in equal shares.

HISTORY AND DEVELOPMENT

Kingland Concrete and Kingland (Sino), pursuant to which Kingland Concrete agreed to transfer its business, assets (save and except the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino).

Following the Transfer of Business, Kingland Concrete has 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 was not engaged in any business in 2014 and 2015.

As the principal activity of Kingland Concrete after the Transfer of Business was merely holding the interest of Shanghai Longxin, and the latter is currently not engaging in any business operation, Kingland Concrete is not engaged in any direct or indirect competition with our Group. As such, as part of the Reorganisation, Kingland Concrete was not included in our Group.

Kingland Guangzhou

Kingland Guangzhou was established in the PRC with limited liability on 22 March 2000, and was directly owned as to 45% by Mr. Chan, as to 45% by Mr. Cheung and as to 10% by Mr. Mak during the Track Record Period and up to the Latest Practicable Date. Kingland Guangzhou is principally engaged in the provision of concrete demolition services in the PRC. For the background of Kingland Guangzhou and the reason for not including it in our Group, please refer to the paragraph headed “Relationship with our Controlling Shareholders – Non-competition” in this document.

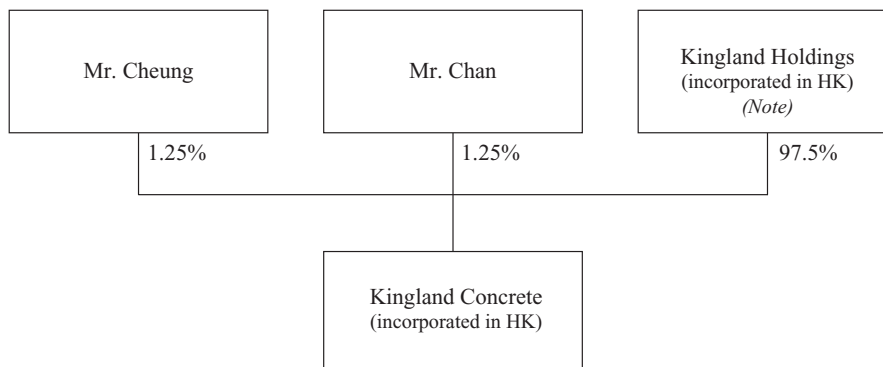
REORGANISATION

Our Company completed the Reorganisation on 22 November 2016 in preparation for the [REDACTED], pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “A. Further Information about our Company – Corporate reorganisation” in Appendix IV to this document.

OUR GROUP STRUCTURE

The following chart sets forth the corporate and shareholding structure of Kingland Concrete and our Group immediately prior to the Reorganisation:

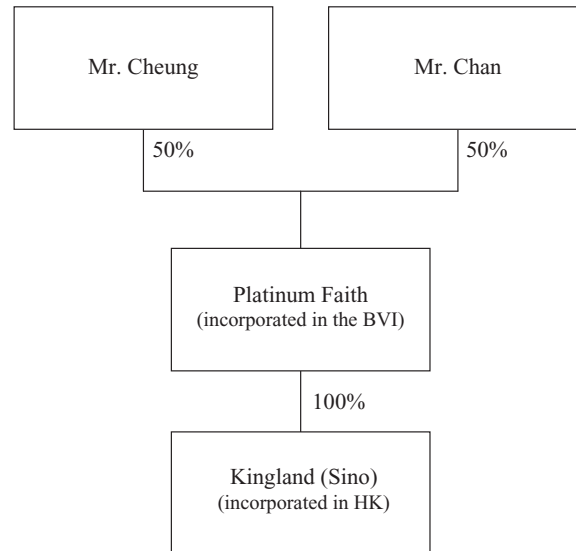
(A) Kingland Concrete



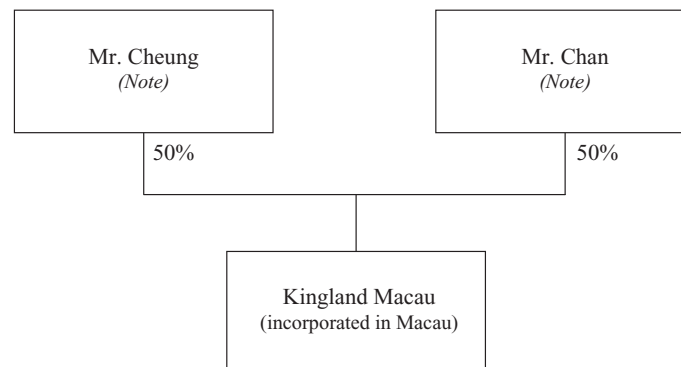
HISTORY AND DEVELOPMENT

Note: Under the cross-holding arrangement between Kingland Holdings and Kingland Concrete, Kingland Holdings was ultimately owned by Mr. Cheung and Mr. Chan in equal shares.

(B) Kingland (Sino)



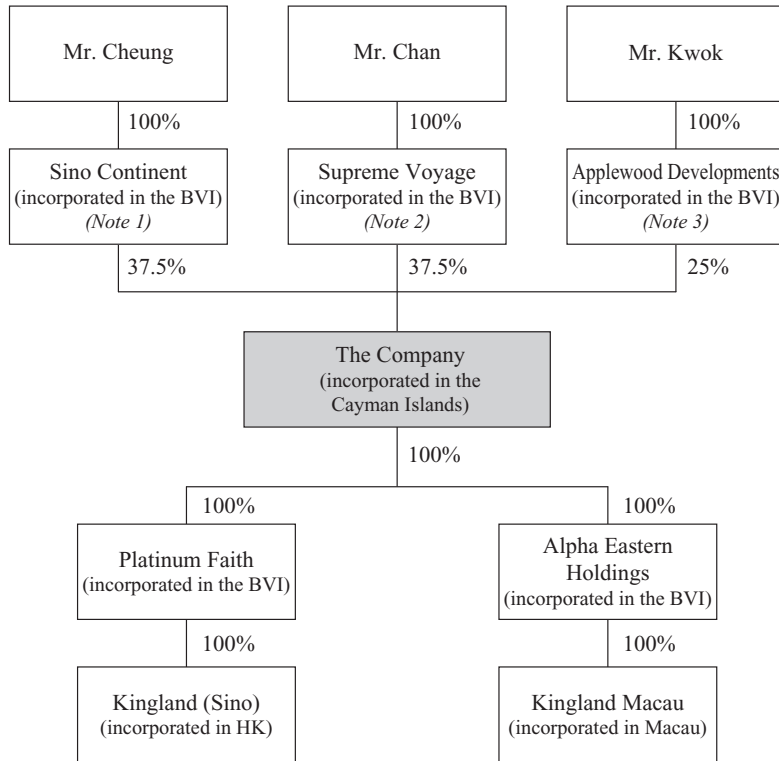
(C) Kingland Macau



Note: Pursuant to the Entrustment Arrangement, Mr. Cheung and Mr. Chan are the beneficial owners of Kingland Macau, each holding 50% equity interests therein.

HISTORY AND DEVELOPMENT

The following chart sets forth our corporate and shareholding structure immediately following completion of the Reorganisation:

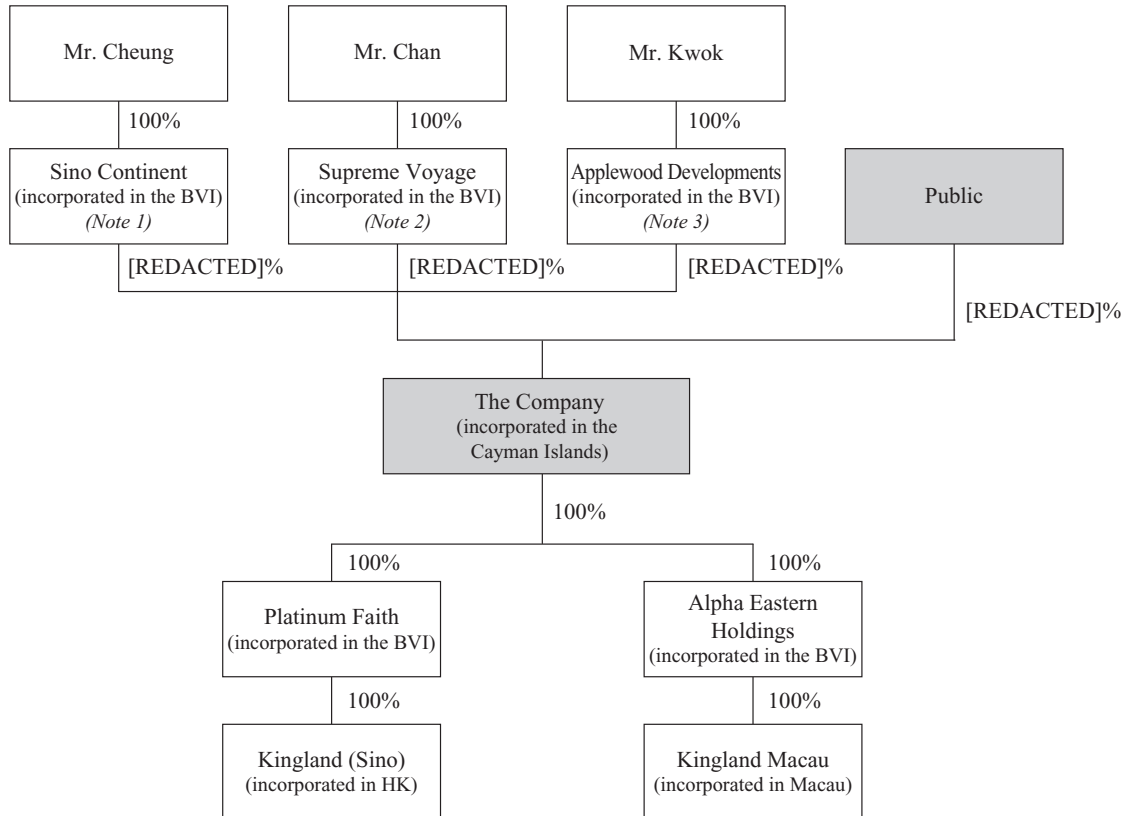


Notes:

1. Sino Continent is an investment holding company incorporated in the BVI and Mr. Cheung is the sole director and shareholder of Sino Continent.
2. Supreme Voyage is an investment holding company incorporated in the BVI and Mr. Chan is the sole director and shareholder of Supreme Voyage.
3. Applewood Developments is an investment holding company incorporated in the BVI and Mr. Kwok is the sole director and shareholder of Applewood Developments.

HISTORY AND DEVELOPMENT

The following chart sets forth our corporate and shareholding structure immediately following completion of the [REDACTED] and the [REDACTED], taking no account of any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme:



Notes:

1. Sino Continent is an investment holding company incorporated in the BVI and Mr. Cheung is the sole director and shareholder of Sino Continent.
2. Supreme Voyage is an investment holding company incorporated in the BVI and Mr. Chan is the sole director and shareholder of Supreme Voyage.
3. Applewood Developments is an investment holding company incorporated in the BVI and Mr. Kwok is the sole director and shareholder of Applewood Developments.

BUSINESS

OVERVIEW

We are an established subcontractor engaged in concrete demolition works in Hong Kong and Macau mainly as subcontractor. 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. Our services are required in many different situations including, among others, addition and alteration works and redevelopment projects in buildings, roads, tunnels and underground facilities.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 respectively, we undertook 160, 232 and 86 jobs in Hong Kong and Macau. 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> |

(Note 1) 160 and 232 jobs were undertaken for each of the year ended 31 December 2014 and 2015 respectively. 6 of such jobs in the year ended 31 December 2014 refer to the same jobs in the year ended 31 December 2015.

(Notes 1 and 2) 232 and 86 jobs were undertaken for the year ended 31 December 2015 and the six months ended 30 June 2016, respectively. 11 of such jobs in the year ended 31 December 2015 refer to the same jobs in the six months ended 30 June 2016.

(Note 2) 86 jobs were undertaken for the six months ended 30 June 2016.

Notes:

- 160 and 232 jobs were undertaken for each of the year ended 31 December 2014 and 2015 respectively. 6 of such jobs in the year ended 31 December 2014 refer to the same jobs in the year ended 31 December 2015.
- 232 and 86 jobs were undertaken for the year ended 31 December 2015 and the six months ended 30 June 2016, respectively. 11 of such jobs in the year ended 31 December 2015 refer to the same jobs in the six months ended 30 June 2016.

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.

BUSINESS

Our Directors consider that the decrease in revenue contribution from customers in Macau during the two years ended 31 December 2014 and 2015, was mainly due to our job selection and resource allocation strategies during the same period, based on the following factors:

- According to the Ipsos Report, the industry practice, factors of competition and tender processes are similar between the construction market in Hong Kong and Macau. As a result, our Directors are of the view that the similarities between these two markets allow the construction company in Hong Kong to engage in projects in Macau with less difficulties, given that we generally received invitations to tender or requests for quotation from customers in Macau due to our established relationships with their associated companies located in Hong Kong. In particular, in relation to job C1 (which contributed to approximately 45.6% of our revenue for the year ended 31 December 2014), we were approached by the fellow subsidiary of Customer A in Hong Kong for invitation to tender. Such fellow subsidiary has been our customer since the year of 1998 (details of the holding company of Customer A is set out in the paragraph headed "Top Customers" in this section). Although it was Customer A which entered into contract with us in respect of job C1, the pre-contractual negotiation regarding price and job details was conducted through such fellow subsidiary with us in Hong Kong. Therefore, our Directors generally perceive the jobs in Macau as an expansion of further business opportunities from our existing customer base in Hong Kong, rather than a standalone market.
- For the year ended 31 December 2015, the increase in revenue from the Hong Kong market was sufficiently large to offset the decrease in the revenue from the Macau market, such that our total revenue for the same year had experienced a modest growth of 3%. In the same year, our Group has accepted more jobs in Hong Kong due to (i) the limitation in service capacity as stated in the section headed "Reasons for the [REDACTED]" in this Document; and (ii) the Group's management is mainly based in Hong Kong and it is more administrative convenient to manage jobs in Hong Kong. Considering (i) the degree of overlapping in work progress of various major jobs in Hong Kong for the year ended 31 December 2015, and (ii) the difficulties in allocating our internal resources among these jobs simultaneously (as partly reflected in that the utilization rate of our existing 10-ton forklift, 85-litre loader and 22-kW remote controlled robot had reached the range of 77.8% to 82.7% in the same year), our Directors intended to accept more jobs in Hong Kong.
- Jobs from customers in Macau continue to remain as a major target of our Group. During the year ended 31 December 2015 and up to the Latest Practicable Date, we received from time to time invitation to tender or request for quotation for jobs in Macau, (which include job of comparable size to job C1 in terms of total contract sum). During the Track Record Period, we received 56 invitations to tender or requests for quotation for jobs in Macau. We responded to 50 of them by submitting tenders and quotations. Among these tenders and quotations we submitted, 21 of them were not accepted by the customers. From 1 July 2016 to the Latest Practicable Date, we have received eight invitations to tender or

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requests for quotation for jobs in Macau, and replied to seven of these invitations and requests by submitting tenders and providing quotation. Besides, according to the Ipsos Report, the concrete demolition industry in both Hong Kong and Macau has experienced growth in terms of total gross output value between the years of 2014 and 2015. However, due to limitation in our service capacity as described above, we have turned down some of the invitation to tender or request for quotation by not responding at all.

Going forward, our Directors will from time to time review and fine-tune our job selection and resource allocation strategies based on our then internal resources available after the [REDACTED]. With the planned expansion in our service capacity with the net proceeds from the [REDACTED], our Directors believe that we will be able to respond to more invitations to tender and requests for quotation in Macau, as well as to submit tenders or quotations for such jobs at more competitive price. Our revenue in 2014 was contributed by a large scale job C1 in Macau of approximately HK\$53.4 million while we did not have any jobs in Macau as at the Latest Practicable Date and over 90% of our revenue was derived from jobs in Hong Kong in 2015. However our Directors are of the view that our track record performance is indicative of our future performance considering that (i) some of jobs undertaken in Macau including job C1 originates from our business relationship and market presence established in Hong Kong; (ii) we experienced a modest revenue growth of approximately 3% as limited by the capacity of our existing machineries; (iii) we continued to receive invitation to tender or request for quotation in Macau in 2015 and 2016, and if we can implement our planned expansion with the net proceeds from the [REDACTED], we will have more room to undertake jobs in Macau; and (iv) our track record performance as reflected in our financial information for the Track Record Period was prepared in accordance with the HKFRSs, and an accountants' report on the financial information of the Group for the Track Record Period was prepared by our reporting accountants and set out in Appendix I to this Document, in which the reporting accountants expressed an unqualified opinion.

Our revenue increased by approximately 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 approximately 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 approximately 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 approximately 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.

We undertake jobs of considerably different scales, ranging from a concrete coring job (i.e. the making of circular cuts in a concrete structure) which can be completed within a day to the removal of multiple sections of concrete from reinforced concrete structures in

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construction or redevelopment sites which can take several months to complete. For further information regarding our services, please refer to the paragraph headed "Concrete demolition services" in this section.

In general, our customers are main contractors in various types of construction and civil engineering projects in Hong Kong and construction projects in Macau. We undertake jobs in both public and private sectors. Public sector jobs refer to jobs which the main contractors are employed by the Hong Kong Government, the Macau Government or their respective related organisations or corporations, while private sector jobs refer to jobs that are not public sector jobs. For further information regarding our customers, please refer to the paragraph headed "Customers" in this section.

We possess our own fleet of machineries and equipments for performing different types of concrete demolition jobs. Our fleet of machineries mainly include remote controlled demolition robots, wire saw cut machines, coring machines, diamond blade saw cut machines and concrete crushers. During the Track Record Period, we acquired new machineries in the total amount of approximately HK\$3.5 million at cost. For further information regarding our machineries, please refer to the paragraph headed "Machineries" in this section.

We either carry out our works with our own equipments and labour resources, or subcontract to other subcontractors having considered our available labour resources. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the subcontracting charges incurred by our Group were approximately HK\$27.4 million, HK\$27.6 million and HK\$15.5 million, respectively.

Our good and service providers mainly include (i) our 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.

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.

COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

Well-established presence in the concrete demolition industry in Hong Kong and Macau

We have been operating in the concrete demolition industry in Hong Kong since 1985. We have also been providing concrete demolition services in Macau through Kingland Macau since 2006.

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Kingland (Sino) is a registered subcontractor for general demolition and others (concrete coring and saw cutting) works under the Subcontractor Registration Scheme of the Construction Industry Council and a Registered Minor Works Contractor at the Buildings Department. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively, we undertook 160, 232 and 86 concrete demolition jobs in Hong Kong and Macau. As at the Latest Practicable Date, we had 14 on-going jobs (either in progress or yet to be commenced) of concrete demolition works in Hong Kong, and the total remaining revenue expected to be derived from these jobs was over HK\$68.1 million. Based on our management's best estimation, these on-going jobs are expected to be completed by the year 2018.

In view of our operating history and scale of operation, we believe that we have a well-established presence in the concrete demolition industry in Hong Kong and Macau. The Ipsos Report states that about 70% of the concrete demolition works in Hong Kong are granted by direct invitation from customers where job opportunities are directly referred or presented to the contractor as a result of the contractor's established relationship with the customer or with other industry players who refer the customer to the contractor. As such, our well-established presence in the concrete demolition industry in Hong Kong and Macau has given and will continue to give us an advantage in terms of securing new business opportunities.

An established fleet of concrete demolition machineries

We consider our established fleet of concrete demolition machineries to be a vital element of our continuous business growth. Our owned machineries mainly include remote controlled demolition robots, wire saw cut machines, coring machines, diamond blade saw cut machines and concrete crushers. For further details, please refer to the paragraph headed "Machineries" in this section. With an aim to strengthening our market position in the concrete demolition industry in Hong Kong and Macau, we have been enhancing our service capacity by expanding and maintaining our fleet of machineries. During the Track Record Period, we acquired new machineries in the total amount of approximately HK\$3.5 million at cost. As at 30 June 2016, our machineries had a total net book value of approximately HK\$3.0 million.

We believe that our investment in machineries has placed us in a position to cater for concrete demolition jobs of different scales and complexity and to meet the expected growing demand in major infrastructure and building developments in Hong Kong and Macau. This also allows us to devise suitable demolition plans and apply suitable demolition methods specifically tailored to various needs and requirements of different customers.

In-house mechanics to repair and maintain our machineries

We have a team of in-house mechanics who are capable of repairing and maintaining our machineries. As at the Latest Practicable Date, our team of in-house mechanics consisted of four employees, one of them had worked in our Group for more than nine years.

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Our in-house mechanics are capable of replacing the worn-out or malfunctioning parts and components of a machinery when necessary which, in turn, minimises our needs for making replacement for the entire machinery. This allows us to extend the usable life of our machineries and is more cost-effective than replacing the entire machinery.

In addition, our Directors consider that delivering malfunctioning machineries to suppliers for examination and repairing may not be cost-effective due to (i) uncertainty in the supplier's service availability; (ii) the time lag in response from the supplier; and (iii) the time required for returning the machineries to us. Meanwhile, our in-house mechanics could provide timely service on demand, and hence reduce the time period that the machineries remain unusable.

Long-term relationships with a number of our top five customers and suppliers

We have established long-term relationships with a number of our top five customers who are primarily main contractors in the construction industry. As at the Latest Practicable Date, nine out of 11 of our top five customers during the Track Record Period had been working with us for over four years. According to the Ipsos Report, with a good relationship with customers, concrete demolition contracting service providers have an advantage in gaining new and repeated business. Therefore, our Directors believe that main contractors generally give priority to subcontractors with whom they are familiar and who have a proven track record in providing quality concrete demolition works in a timely manner. We are of the view that our long-term relationships with a number of our top five customers are our competitive advantages that cannot be easily replicated by other concrete demolition works subcontractors, and have enabled and will continue to enable us to differentiate ourselves in the industry in Hong Kong and Macau.

Our top five suppliers during the Track Record Period mainly consisted of lessors of machinery, suppliers of consumables and machinery parts, and transportation and courier service providers. We have established long-term relationship with a number of our suppliers. As at the Latest Practicable Date, six out of eight of our top five suppliers during the Track Record Period had been working with us for over four years. We believe our established relationships with these suppliers have been enabling us to take up jobs of various scale and service type and fulfil our customers' requirements. This could also ensure stable and timely delivery of materials or services from these suppliers, which in turn shall minimise potential disruption to our works.

Our experienced and dedicated management team

We have an experienced and dedicated management team with extensive operational expertise and in-depth understanding of the concrete demolition industry, and this in turn allows us to anticipate market trends when formulating our development strategies. Our executive Directors comprise two highly experienced individuals in the concrete demolition industry. Mr. Cheung, our Chairman, the chief executive officer and an executive Director, who has more than 30 years of experience in the concrete demolition industry, has established close relationships with our customers and suppliers. His experience, coupled with extensive industry knowledge, enables him to understand market dynamism and latest practice for concrete demolition works. Mr. Chan, an executive Director, possesses over 30 years of working experience in the concrete demolition industry. They are both dedicated to

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the concrete demolition industry and are committed to providing quality concrete demolition works to customers. Through their leadership, we have grown through different economic times in Hong Kong and Macau to become an established concrete demolition works subcontractor in Hong Kong and Macau.

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. We intend to achieve our business objective by pursuing the following key strategies:

1. Further enhancing our machineries

We intend to acquire additional concrete demolition machineries including one set of remote controlled demolition robot, two sets of forklifts, one set of loader as well as other concrete demolition equipment, so as to further enhance our overall efficiency and capacity in performing concrete demolition works. In particular, we intend to further increase the use of remote controlled demolition robot for the performance of concrete demolition works where applicable. Our Directors consider that the use of remote controlled demolition robot is consistent with the latest developments in the industry and can effectively minimise risks associated with work safety as it allows workers to work at a safe distance from the demolition works.

We consider that it is vital to acquire additional machineries in order to maintain our competitiveness, taking into account: (i) the anticipated growth in the demand for our concrete demolition services; (ii) the growing trend towards mechanisation in the industry through the use of remote controlled demolition robot; and (iii) the unique functionality of each type of machineries in performing concrete demolition of different natures and locations.

In particular, our Directors are of the view that the acquisition of two sets of 14-ton forklift and one set of 85-litre loader is conducive to reducing the human resources required for on-site logistics works. Based on our Directors' knowledge and experience, forklift is generally used for lifting and loading of large concrete debris resulted from demolition works, whereas loader is generally used for moving and loading materials of relatively smaller size. We believe that acquisition of new forklift and loader would allow us to remove demolition materials with higher efficiency and at lower labour cost.

In addition, the utilisation rate of our existing 10-ton forklift, 85-litre loader and 22-kW remote controlled robot increased significantly during the Track Record Period, and has already reached 89.0% or above for the six months ended 30 June 2016, details of which are set out in the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this document. As we currently possess only one set of each of 10-ton forklift, 85-litre loader and 22-kW remote controlled robot, and we expect our on-going and potential jobs would involve the use of such machineries with similar or higher service capacity, our Directors believe that acquisition of additional sets of them would allow us to have greater flexibility in the deployment of these machineries in future works, and ensure prompt and suitable replacement or backup for such machineries in case of maintenance.

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Further, we plan to acquire two motor vehicles to match with our increasing demands for machineries transportation services amid the anticipated growth in the number of jobs and our plan in expanding our fleet of machineries. We consider that such acquisition would allow us to have great flexibility and capacity in handling machineries transportation for a number of jobs simultaneously, and hence be conducive to improving our overall efficiency in carrying out our jobs. In addition, this could further reduce our reliance on supplier for machineries transportation services, which in turn would minimise the risk of any disruption to our jobs due to potential delay in the delivery of our machineries.

We determine whether we shall acquire the aforesaid machineries by taking into account various factors including but not limited to our operational needs and available financial resources, with particular regard to the followings:

- the advantages of acquiring additional machineries under our business plan, which include, among other things:
 - a) an estimated decrease in transportation costs of approximately HK\$2.4 million annually^(Note) during the useful life of the two motor vehicles we planned to acquire as we will cease to incur expenses for engaging supplier of transportation services after the planned acquisition;
 - b) an estimated decrease of approximately HK\$3.5 million annually^(Note) during the useful life of the remote controlled demolition robot, two sets of 14-ton forklift and one set of 85-litre loader we planned to acquire as we will cease to incur expenses for renting such machineries after the planned acquisitions; and
 - c) a potential increase in our revenue as the machineries we planned to acquire may increase our services capacity to handle larger number of jobs simultaneously and will have a positive effect on our ability to respond to more invitations to tender and request for quotation, as well as to submit tenders or requests at more competitive price based on the sufficiency of our internal resources. However, it is impractical for our Directors to estimate the increase in revenue at present as such increase will depend on various external factors beyond the control of our Group;
- the disadvantages of acquiring additional machineries under our business plan, which include, among other things:
 - d) an estimated increase in depreciation expenses for machineries of approximately HK\$1.7 million annually during the useful life of the machineries; and

Note: the estimated decrease in transportation costs and rental expenses was calculated with reference to: (i) the historical level of transportation costs and rental expenses incurred for engaging such transportation services and renting those machineries from third parties; (ii) the projected usage of such types of machineries we planned to acquire (other than motor vehicles), based on their historical utilisation rate. For further details, please refer to the paragraph headed "Utilisation Rate" in this section; and (iii) the expected period of time that those machineries would be out of service due to regular maintenance.

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- e) an estimated increase in maintenance costs for machineries of approximately HK\$0.9 million annually during the useful life of the machineries due to the expected increase in the purchase cost of materials and consumables necessary for performing the repair and maintenance works by our in-house mechanics, the expected cost in hiring two additional lorry drivers and the associated insurance expenses.

The overall effect on our profit margin as a result of acquiring additional machineries will depend on the existence and/or the magnitude of factors mentioned in the paragraph above. In particular, the overall effect on our profit margin is highly dependent on factor (c), i.e. whether or not there will be an increase in revenue and if so, the magnitude of such increase. There is no assurance that our business plans and strategies will be successful, as set out in the section headed "Risk Factors – Our business plans and strategies may not be successful or to be achieved within the expected time frame or within the estimated budget" in this document.

During the Track Record Period, we acquired new machineries in the total amount of approximately HK\$3.5 million at cost. In spite of the perceived overall benefits of enhancing our fleet of machineries, Our Group has refrained from making further acquisition during the same period, having considered the needs of preserving an adequate level of working capital based on the analysis as follows:

- Taking into account the cash and bank balances, our available working capital was approximately HK\$4.7 million and HK\$20.0 million as at 31 December 2014 and 2015, respectively (without taking into account the additional cash flow generated from our operation). Of the HK\$20.0 million available as at 31 December 2015, our Group intended to designate approximately HK\$12.4 million for payment of Listing expenses on or before the [REDACTED]. Our Directors estimate that we would have to incur an average monthly expense of approximately HK\$3.6 million and HK\$3.3 million, respectively, for each of the years ended 31 December 2014 and 2015 in order to sustain our daily operations, mainly comprising expenses incurred for direct labour costs, administrative expenses, repayment of finance leases and the interest payment for finance leases. Based on the aforesaid estimations, our available working capital (excluding the HK\$12.4 million designated for the payment of Listing expenses as mentioned above) as at 31 December 2014 and 2015 was only approximately HK\$1.4 million and HK\$4.5 million above the minimum working capital that was required to maintain our daily operations, respectively. Therefore, our then available working capital was not sufficient to satisfy both our working capital requirements and the costs of acquiring further machineries under our expansion plan.
- Further, our Directors consider that we would only be able to fully utilise any machineries further acquired for enhancing our service capacity if such acquisition is matched by an expansion in our manpower and storage space as well, as further discussed in the section headed "Future Plans and Use of Proceeds – Reasons for the [REDACTED]". If we take into account the need for hiring additional manpower and renting extra storage space in this regard, it is estimated that our Group would have to incur an aggregate expense of approximately HK\$3.6 million per year.

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- Save as the finance lease arrangements in respect of certain machineries and motor vehicles, our Group had not made any formal loan applications with financial institutions during the Track Record Period and up to the Latest Practicable Date. In view of our needs for external funds for expansion, however, our Directors have informally enquired with certain bank institution in relation to the key features and requirements of a banking facility. Based on the results of enquiry, they considered that a banking facility may not be in the interests of our Group and its Shareholders as a whole. Our Directors understand that as a prerequisite, banks would often require the majority shareholder(s) of a company to provide personal assets as security to secure performance of the company's obligations under the banking facility, which, in our case, may increase the level of our financial reliance on our Controlling Shareholders. Further, as confirmed by each of Mr. Cheung and Mr. Chan, taken into account their own financial positions and future earning capacities, they may not be able to readily provide sufficient personal assets required for securing the scale of banking facility for funding our planned expansion, given that the value of security asset required is generally based on the amount of the banking facility on a dollar-to-dollar basis. If our Controlling Shareholders fail to fulfil the above requirement, our application for a banking facility will likely be subject to the following limitations and restrictions, as compared with a loan backed up by asset security:
 - i. the credit amount of banking facility granted by bank to a company of comparable scale to us is normally expected to be not more than approximately HK\$10 million, which our Directors consider to be insufficient to finance our planned expansion;
 - ii. the draw down of loan from banking facility is likely to be granted on a job basis, whereby the banks may impose strict requirements on the aim, scope, purposes and usage of the loan proceeds. As the proceeds from such banking facility may only be applied to finance the performance of a particular job in designated manners, this may adversely affect our flexibility in preparing the budget of our operations;
 - iii. application for loan draw down may only be processed after we have been formally engaged by our customer as evidenced by related supporting documents (such as letters of award) in respect of a particular job. The uncertainty in results of application may discourage us from competing for job which would have substantial cash flow requirements in its performance, resulting in loss of job which may otherwise have substantial revenue contribution to us. In addition, even if we make an application for loan draw down in respect of a job, the approval process is likely to be lengthy and involve rounds of stringent review, and hence the loan obtained may no longer satisfy our most immediate finance needs by the time it is approved;
 - iv. the interest rate on a banking facility may be substantially higher, as compared with a loan backed up by asset security, which would result in additional interest burden on our Group; and

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- v. a loan granted under banking facility is likely to be shorter in repayment term. Based on our Directors' enquiries, it is expected that the term of a loan drawn from banking facility would be limited to the duration of the particular job for which the loan has been granted. As prudent financial management, we intend to implement our expansion plan by stages from [REDACTED] up to around mid-2018, as discussed in details in the section headed "Future Plans and use of Proceeds – Use of proceeds" in this document. The lack of a long-term loan free from usage restrictions would hinder our ability to achieve the business objectives for our expansion.

Given our current working capital needs as well as the disadvantages of financing our expansion by a banking facility as discussed above, and apart from the difficulties of arranging finance leases for each type of machineries we currently plan to acquire, if we had decided to pursue our planned expansion by fully utilising our internal resources without additional funding, this would mean that our financial resources will be stretched to the limit, and, from a perspective of prudent financial management, our Directors do not consider this to be in interest of our Company as this could lead to a significantly higher risk of insolvency if any unforeseen circumstances arise.

Considering that (i) our Group has leading position in the concrete demolition service industry in Hong Kong in terms of revenue in 2015, (ii) based on the Ipsos Report, some of the "Ten Major Infrastructure Projects" are yet to hit their peak, and it is expected that the demand for construction services will continue to grow in Hong Kong, and (iii) according to the Ipsos Report, the concrete demolition industry in Macau is expected to benefit as a result due to the general needs for the removal of excess or unnecessary concrete structures during the course of construction in construction projects for various purposes, our Directors believe that the potential increase in revenue resulting from the acquisition of additional machineries will be sufficiently large such that our overall profit margin will either be maintained or improved, which in turn would result in higher profitability of our Group.

Apart from the above monetary impact, there are non-monetary considerations for the acquisition of additional machineries as well. In the absence of sufficient machineries, our Group normally resorted to renting the machineries from third party machinery providers. However there is no guarantee that the third party machinery providers would lease the required number of machineries at the desired time to us. It is also difficult for us to predict the availability of machinery from these providers when we undertake a job. We regard the renting of our core machines from third parties, including 10-ton forklift, 85-litre loader, 22-kW remote controlled robot, as only a temporary measure to mitigate the limitation on capacity rather than a long-term solution. Our Directors are of the view that purchasing additional machineries would lead to better planning of work schedule with greater certainty, better management of our work progress and quality by engaging our own machineries and personnel.

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2. Further strengthening our manpower

We consider that a team of skilled workers equipped with appropriate knowledge and experience in operating different types of concrete demolition machineries and performing different types of concrete demolition works is crucial to our continuing success. We intend to expand our labour resources by recruiting more staff in light of the anticipated growth in our business and our plan to acquire additional machineries.

In this regard, the planned expansion in our team would primarily consist of one project manager, one engineer, one safety officer, one site agent, one mechanic staff and one office staff. Our Directors believe that such recruitment would allow us to tap into the pool of expertise in the construction industry, and would help to keep ourselves abreast of the latest industry practice.

3. Leasing an additional warehouse

As at the Latest Practicable Date, we rent certain premises in Kwun Tong, Hong Kong for our operating needs. We target to rent a warehouse with approximately 6,000 sq. ft. in the Eastern Kowloon region of Hong Kong that would be in close proximity to our current warehouses. Our Directors consider that it would be in our best interest to rent an additional premise as our warehouse due to the risk of substantial increase in rentals or non-renewal of our current tenancy agreements by the relevant landlord. We also intend to use part of such premise for storing the machineries and equipments that we intend to acquire. As at the Latest Practicable Date, we have not identified any potential target for leasing.

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

For further details on the implementation of the aforementioned business strategies, please refer to the section headed "Future Plans and Use of Proceeds" in this document.

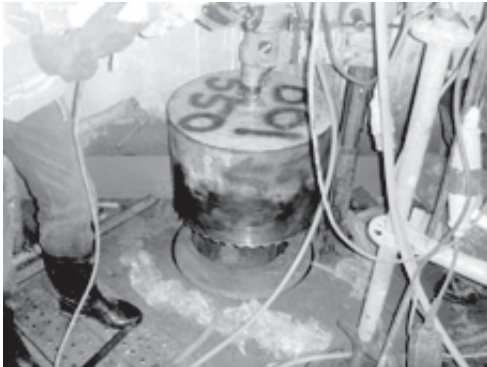
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CONCRETE DEMOLITION SERVICES

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 demolition methods. Details of our key demolition methods are set out below:

- (i) coring, which refers to the process of making circular cuts in concrete structures resulting in the making of smooth circular openings for other applications, such as the installation of plumbing or other utilities systems, and/or the removal of a cylindrical piece of concrete for sample analysis, and/or the removal of unnecessary concrete during the course of construction of buildings or infrastructure;



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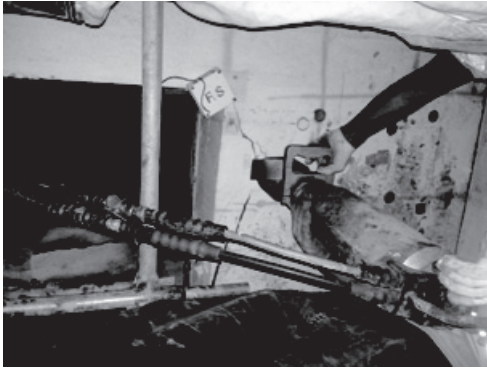
- (ii) sawing, which refers to the process of cutting sections of concrete in concrete structures resulting in the creation of openings of desired shapes in concrete walls, ceilings or floors, and/or the demolition and removal of sections of concrete from concrete structures for various purposes, such as the installation of elevators, doors or windows, the removal of unnecessary concrete during the course of construction of building and infrastructure, or in addition and alteration works or redevelopment projects in buildings, roads, tunnels and underground facilities; and



- (iii) bursting and crushing, which refer to the process of concrete demolition by applying pressures to crack and break concrete into pieces in demolishing and removing concrete structures.



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Our typical job involves one or a combination of concrete demolition methods. Depending on the complexity of the job, we may also devise a demolition proposal tailored to customers' needs and requirements, outlining the methods and machineries that we consider suitable for use in performing our work. Depending on our customer's specific needs and specifications, we may also perform underwater concrete demolition works.

Concrete demolition jobs

We undertake jobs of considerably different scales, ranging from a core drilling job which can be completed within a day to the removal of multiple sections of concrete from reinforced concrete structures in construction or redevelopment sites which can take several months to complete.

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. In such case, the work orders placed under each quotation will be treated as a single job to us.

For sizeable projects, our customers may enter into a formal agreement which sets out the detailed terms of our engagement. Further work orders placed by the customers will be governed by the terms of such formal agreement. In such case, the work orders placed pursuant to the formal agreement will be treated as a single job to us.

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The following table sets out a breakdown of our jobs by range of revenue contribution to us during the Track Record Period:

| | Year ended 31 December 2014 <i>Number of jobs</i> | Year ended 31 December 2015 <i>Number of jobs</i> | Six months ended 30 June 2016 <i>Number of jobs</i> |
|---|--|--|--|
| Revenue recognised per job during the period | | | |
| Below HK\$5,000 ^(Note 1) | 37 | 34 | 11 |
| HK\$5,000 to below HK\$50,000 | 66 | 104 | 25 |
| HK\$50,000 to below HK\$200,000 | 27 | 41 | 25 |
| HK\$200,000 to below HK\$500,000 | 13 | 20 | 9 |
| HK\$500,000 to below HK\$1,000,000 | 9 | 9 | 4 |
| HK\$1,000,000 to below HK\$5,000,000 | 6 | 18 | 9 |
| HK\$5,000,000 to below HK\$10,000,000 | – | 4 | 1 |
| HK\$10,000,000 or above ^(Note 2) | 2 | 2 | 2 |
| Total number of jobs with revenue contribution to us during the year | <u>160</u> ^(Note 3) | <u>232</u> ^(Notes 3 and 4) | <u>86</u> ^(Note 4) |

Notes:

1. The lowest amounts of revenue recognised per job were approximately HK\$580, HK\$400 and HK\$1,100 for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively.
2. The highest amounts of revenue recognised per job were approximately HK\$53.4 million, HK\$21.4 million and HK\$13.5 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively.
3. 160 and 232 jobs were undertaken for each of the two years ended 31 December 2014 and 2015, respectively. 6 of such jobs undertaken in the year ended 31 December 2014 refer to the same jobs in the year ended 31 December 2015.
4. 232 and 86 jobs were undertaken for the year ended 31 December 2015 and the six months ended 30 June 2016, respectively. 11 of such jobs undertaken in the year ended 31 December 2015 refer to the same jobs in the six months ended 30 June 2016.

BUSINESS

In general, jobs awarded to us represent part of a construction or civil engineering project. Such jobs can generally be categorised into public sector jobs or private sector jobs. Public sector jobs refer to jobs of which the main contractors are employed by the Hong Kong Government, the Macau Government or their respective related organisations or corporations, while private sector jobs refer to jobs that are not public sector jobs. 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 | |
|--------------------------|---|-----------------------|---|-----------------------|--|-----------------------|
| | HK\$'000 | % of total revenue | HK\$'000 | % of total revenue | HK\$'000 | % of total revenue |
| 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>117,129</u> ^(Notes 1 and 2) | <u>100.0</u> | <u>120,072</u> ^(Notes 1 and 2) | <u>100.0</u> | <u>60,744</u> ^(Notes 1 and 2) | <u>100.0</u> |

Notes:

- For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the revenue generated from fixed price contracts (including additions, modifications or variation orders) accounted for 91.1%, 83.3% and 60.4% of our revenue, respectively. The decrease in the percentage of revenue generated from fixed price contracts in the six months ended 30 June 2016 was mainly due to involvement in job C13 (the fees of which were subject to re-measurement based on our works done) which was our largest job in the six months ended 30 June 2016 and contributed to approximately 22.3% of our total revenue during the same period. Accordingly, the percentage of revenue generated from fixed price contracts was relatively lower in the six months ended 30 June 2016.
- During the Track Record Period, our Group did not have loss-making jobs.

Our Directors believe that the number and availability of public and private sector jobs in Hong Kong and Macau are affected by various factors, including but not limited to, the general economic conditions, changes in government policies relating to the property markets, the general conditions of the property markets, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. As the government generally tends to increase public investment in infrastructures during economic downturn, as a diversification strategy, we seek both public and private sector jobs so as to avoid significant adverse impact on our operation in the event of a downturn in either sector.

BUSINESS

The following table sets out details of our top five jobs based on recognised revenue for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 in descending order:

For the year ended 31 December 2014

| Rank | Job | Customer | Type of job | Nature of our scope of work | Job period | Contract sum ^(Note 2) HK\$'000 | Revenue derived from the job for the year HK\$'000 | % of total revenue of our Group for the year % |
|------|-----|------------|--|---|---|--|---|---|
| 1 | C1 | Customer A | Demolition works in a private resort development project in Macau | Demolition of superstructure and pile caps | November 2013 – May 2015 | 74,533 | 53,400 | 45.6 |
| 2 | C2 | Customer B | Demolition works in Central – Wanchai Bypass – Causeway Bay section in Hong Kong | Removal and drilling works on diaphragm wall, and saw cutting of reinforced concrete wall | February 2012 – November 2016 ^(Note 1) | 45,000 | 33,658 | 28.7 |
| 3 | C3 | Customer C | Demolition works in a racecourse improvement project in Hong Kong | Demolition of existing concrete slabs | July 2013 – July 2014 | 1,046 | 3,497 | 3.0 |
| 4 | C4 | Customer D | Demolition works in Fo Tan railway station improvement project in Hong Kong | Demolition of existing reinforced concrete structural works | December 2012 – December 2014 | 2,250 | 3,440 | 2.9 |
| 5 | C5 | Customer E | Demolition works in the West Kowloon terminus in Hong Kong | Saw cutting of existing barrette piles | August 2014 – October 2014 | 3,000 | 3,000 | 2.6 |

Notes:

1. The expected completion date is based on our management’s best estimation. In making the estimation, our management considers 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. The contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, and therefore final revenue recognised from a contract may differ from the contract sum.

BUSINESS

For the year ended 31 December 2015

| Rank | Job | Customer | Type of project | Nature of our scope of work | Job period | Contract sum ^(Note) HK\$'000 | Revenue derived from the job for the year HK\$'000 | % of total revenue of our Group for the year % |
|------|-----|------------|---|--|---------------------------|--|---|---|
| 1 | C6 | Customer F | Demolition works in Central – Wanchai Bypass Tunnel (North Point Section) and Island Eastern Corridor Link in Hong Kong | Saw cutting of reinforced concrete beam and parapet for a bridge | April 2015 – May 2016 | 17,442 | 21,391 | 17.8 |
| 2 | C7 | Customer G | Demolition works in a private property development project in Hong Kong | Saw cutting of existing reinforced concrete structure | July 2015 – February 2016 | 12,736 | 10,094 | 8.4 |
| 3 | C8 | Customer H | Demolition works in Tseung Kwan O Industrial Estate in Hong Kong | Demolition of superstructure | July 2015 – December 2015 | 7,502 | 7,502 | 6.2 |
| 4 | C1 | Customer A | Demolition works in a private resort development project in Macau | Demolition of superstructure and pile caps | November 2013 – May 2015 | 74,533 | 7,209 | 6.0 |
| 5 | C9 | Customer C | Demolition works in a private commercial development project in Hong Kong | Demolition of existing slabs, columns and walls | June 2015 – March 2016 | 11,703 | 6,124 | 5.1 |

Note: The contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, and therefore final revenue recognised from a contract may differ from the contract sum.

BUSINESS

For the six months ended 30 June 2016

| Rank | Job | Customer | Type of project | Nature of our scope of work | Job period | Contract sum <i>(Note 2)</i> HK\$'000 | Revenue derived from the job for the six months HK\$'000 | % of total revenue of our Group for the six months % |
|------|-----|------------|---|--|---|---|---|---|
| 1 | C13 | Customer K | Demolition works in the Admiralty MTR station in Hong Kong | Demolition of existing reinforced concrete structural works | August 2015 – March 2016 | N/A | 13,539 | 22.3 |
| 2 | C10 | Customer B | Demolition works in Central – Wan Chai Bypass Tunnel – Slip Road 8 Section in Hong Kong | Demolition of diaphragm wall | July 2015 – June 2017 ^(Note 1) | 49,800 | 12,572 | 20.7 |
| 3 | C9 | Customer C | Demolition works in a private commercial development project in Hong Kong | Demolition of existing slabs, columns and walls | June 2015 – March 2016 | 11,703 | 5,051 | 8.3 |
| 4 | C11 | Customer J | Demolition works in Central – Wan Chai Bypass Tunnel – Wan Chai West Section in Hong Kong | Demolition of bulkhead wall along tunnel and forming opening on diaphragm wall | March 2016 – January 2017 ^(Note 1) | 15,587 | 4,452 | 7.3 |
| 5 | C15 | Customer L | Demolition works in Wan Chai Development Phase II – Central – Wan Chai Bypass at Wan Chai East in Hong Kong | Removal of eastern bulkhead | March 2016 – August 2016 ^(Note 1) | 3,948 | 3,049 | 5.0 |

Notes:

1. The expected completion date is based on our management’s best estimation. In making the estimation, our management considers 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. The contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, and therefore final revenue recognised from a contract may differ from the contract sum.

Please also refer to the paragraph headed “Customers” in this section for further information relating to our major customers.

BUSINESS

As at the Latest Practicable Date, we had 14 on-going jobs (either in progress or yet to be commenced) of concrete demolition works in Hong Kong, and the total remaining revenue expected to be derived from these jobs was approximately HK\$68.1 million. These on-going jobs are expected to be completed by 2018^(Note 1). The following table sets out the details of our on-going jobs as at the Latest Practicable Date with revenue expected to be derived of more than HK\$5 million in descending order:

| Rank | Job | Customer | Type of project | Nature of our scope of work | Contract sum (HK\$'000) | Revenue expected to be derived ^(Note 2) (HK\$'000) | Accumulated revenue recognised as at the Latest Practicable Date (HK\$'000) | Remaining revenue expected to be derived as at the Latest Practicable Date ^(Note 3) (HK\$'000) |
|------|-----|------------|---|--|----------------------------|--|--|--|
| 1 | C10 | Customer B | Demolition works in Central – Wan Chai Bypass Tunnel – Slip Road 8 Section in Hong Kong | Removal and drilling works on diaphragm wall | 49,800 | 49,863 | 15,123 | 34,700 |
| 2 | C11 | Customer J | Demolition works in Central – Wan Chai Bypass Tunnel – Wan Chai West Section in Hong Kong | Demolition of bulkhead wall along tunnel and forming opening on diaphragm wall (Note 4) | 15,587 | 18,231 | 11,231 | 7,000 |
| 3 | C12 | Customer H | Demolition works in Liantang/Heung Yuen Wai Boundary Control Point in Hong Kong | Demolition of existing vehicular bridge | 6,580 | 6,580 | 507 | 6,000 |

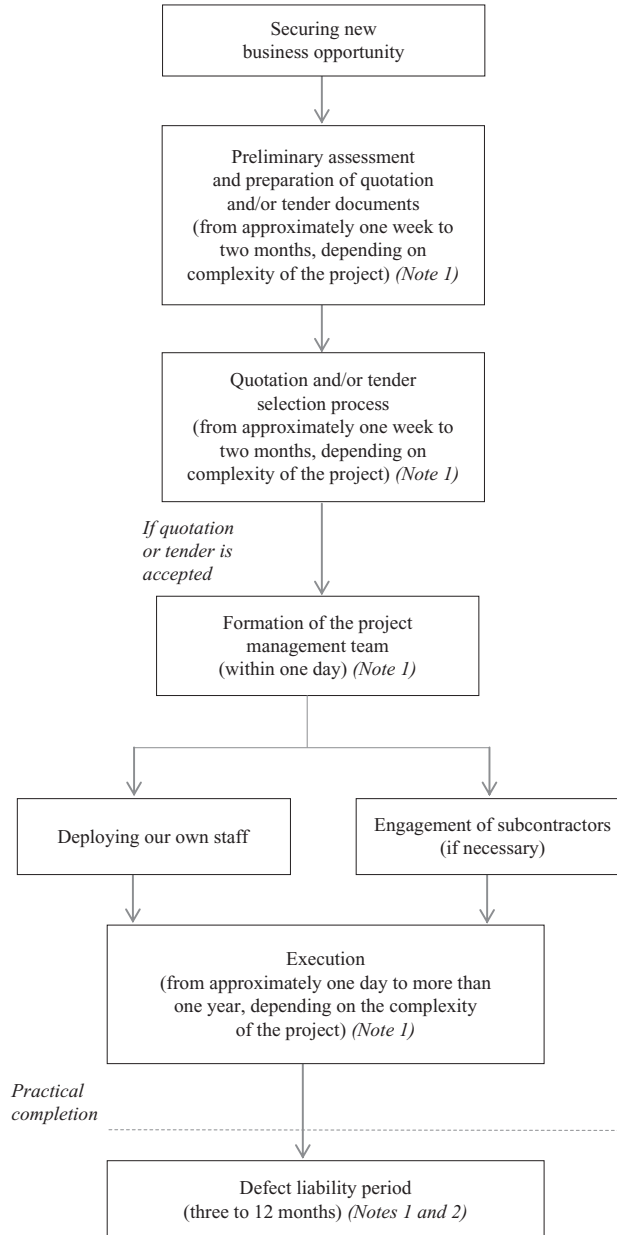
Notes:

- The expected completion date for a particular contract is provided based on our management’s best estimation. In making the estimation, our management considers 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.
- The revenue expected to be derived is based on the (i) initial contract or quotation and (ii) variation works agreed and/or communicated between our customer and us.
- The remaining revenue expected to be derived is the total revenue expected to be derived net of the accumulated revenue recognised as at the Latest Practicable Date.
- As of the date of this document, we have commenced work on this job pending the execution of signed contract. Our Directors consider that the order has been preliminarily agreed upon by way of conduct.

BUSINESS

Operation flow

Set out below is a flowchart summarising the principal steps of our workflow in a typical job:



Notes:

1. The timeframe is estimated on an approximate basis and may vary in different jobs depending on its complexity, the requirements of the customer, and/or our agreement with the customer on the timeframe for the principal steps.
2. 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.

BUSINESS

Securing new business opportunity

During the Track Record Period, we secured new businesses mainly through direct invitation to tender or request for quotation by customers.

In general, the invitation to tender or request for quotation by customers is made through letter, booklet or email correspondence.

As a customary market practice, our customers generally locate, select and identify subcontractors from their internally approved lists of contractors and invite the contractors in such lists to submit tenders and/or quotations. We believe that our customers will consider various factors in selecting subcontractors and inviting them to submit tenders and/or quotations for consideration, including but not limited to (i) reputation and past track records; (ii) service quality; (iii) job flexibility; and (iv) price level.

To the best knowledge of our Directors, our potential customers will generally request a number of subcontractors to submit preliminary quotations in order to facilitate their cost estimation for bidding for the construction project as main contractor. After our potential customers have been awarded with the construction project as main contractor, they would further select a few shortlisted subcontractors and request them to submit detailed quotations for selection.

Preliminary assessment and preparation of quotation and/or tender document

For potential customers, we may perform certain customer acceptance procedures, including but not limited to (i) checking the payment history of the customer; and (ii) for new customers and/or sizeable jobs, our senior management may ascertain the customer's credibility based on their experiences in the industry or require deposits from such customers.

In our preliminary assessment of the potential tenders and/or quotations, our customers normally provide us with relevant information including the (i) job background; (ii) site information; (iii) subject matter of the concrete demolition works; (iv) drawings and specifications; and (v) work schedule. Our customers generally require us to prepare and submit tenders and/or quotations within a specified period, ranging from approximately one week to two months, after we receive their invitations or requests.

In general, we may be required to conduct on-site inspection. 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 tenders and/or quotations based on the estimated costs to be incurred plus a certain mark-up margin. For our pricing strategy, please refer to the paragraph headed "Pricing strategy" in this section. For jobs of a complicated nature, we may also need to prepare a proposal detailing (i) the proposed demolition methods and techniques to be applied; (ii) the expected timeframe; (iii) the proposed workflow and (iv) the amount and types of machineries and labour resources needed in order to fulfill customer's requirements.

BUSINESS

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. Since the actual types and quantities of works undertaken by us may deviate from those listed in our tender and/or quotation, the final price of the works undertaken will be calculated according to the agreed fee rate. For jobs with certain customers, the contract sum may be a fixed lump sum price. In determining the fixed lump sum price, our Directors will take into account (i) the specifications and drawings provided; (ii) the amounts of machines and manpowers expected to be employed; (iii) the quantities of works to be undertaken; (iv) the work site conditions and constraints; (v) the safety measures required; and (vi) the contract sum of comparable jobs in the past.

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 chief technical officer, Mr. Mak, and sales manager, Mr. Yip Wai Man, are responsible for handling the negotiation with our customers and responding to their queries.

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. Further work orders placed by the customers will be governed by the terms of such formal agreement.

We keep copy of every tender and/or quotation we submit, irrespective of its results. It may take from approximately one week to two months for our customers to consider our tenders and/or quotations and inform us their decisions.

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 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.

Our project management team takes charge of the overall management of the jobs and report to our executive Directors from time to time. Its responsibilities generally include (i) formulation of detailed works plan; (ii) deployment of machineries; (iii) delegation of work tasks to other subcontractors, if necessary; (iv) supervision of work progress and quality; (v) implementation of safety measures; and (vi) participation in project meetings and coordination with other working parties to assess and review the progress and to resolve any issue which may arise during the course of works, if necessary.

BUSINESS

Procurement of necessary materials and consumables

If necessary, we may procure additional materials and consumables in order to carry out the demolition works. For details, please refer to the paragraph headed "Suppliers" in this section.

Engagement of subcontractors

Depending on the availability of our labour resources, we may subcontract works to other subcontractors. For further information, please refer to the paragraph headed "Subcontractors" in this section.

Execution

Our workers and subcontractors are required to carry the works in accordance with our proposal as well as customers' requirements. Upon requests from our customers, our chief technical officer, 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.

Supplemental or variation orders from our customers

In many jobs, our customers may request for additional works beyond the scope of the contracts. As described above, our quotation and/or tender generally contains a schedule of rates which sets out the fee in relation to each work task to be carried out. Therefore, if there is a pre-agreed fee rate in the contract for the work items, the value of such additional work will generally be measured based on the pre-agreed fee rate. If there is no pre-agreed fee rate for the work involved, we will provide a supplemental quotation to our customer for its consideration.

Depending on the terms and conditions of the contracts, the main contractors may give instructions to vary the works as agreed in the initial quotation and/or tender. 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 quotation, and the total contract sum of the job will be adjusted accordingly.

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 customers a credit period ranging from 14 to 60 days from the date of issue of our invoice.

Our management considers a job is practically completed when we submit the final invoice which states the outstanding amount to be certified by our customers.

BUSINESS

Our customers 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 customers and the remaining half of the retention money would be released after three to 12 months.

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 jobs. 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.

Pricing strategy

We generally set our tender and/or quotation price based on the estimated costs to be incurred plus a certain mark-up margin. We estimate the cost of undertaking a concrete demolition job by reference to various factors including but not limited to (i) the estimated number and types of workers required; (ii) the difficulties of the works involved; (iii) the demolition methods and techniques expected to be applied; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) the need for subcontracting; (viii) the overall cost in undertaking the job; (ix) the past prices offered to the customer; and (x) the prevailing market conditions. If the job is expected to involve the use of subcontractor, we may also obtain subcontractor's preliminary quotation for the estimation of cost. The mark-up percentage may vary substantially from job to job due to (i) the size of the job; (ii) the likelihood of any material deviation of the actual cost from the estimated cost having regard to the types and amount of labours, machineries, consumables, materials and other resources involved in our cost estimations; and (iii) the existence of any other implicit or indirect costs or factors that may be involved in undertaking the job, such as the possibility of incurring a substantial amount of subsequent repair and maintenance cost for our machineries involved in the job.

Jobs in Macau

The operational flow of our jobs in Macau is generally similar to that of our jobs in Hong Kong as described above. In undertaking jobs in Macau, we generally send our employees based in Hong Kong to Macau to carry out site supervision after making arrangements to obtain proper work permits for them. We also recruit local site workers in Macau for carrying out site works. Depending on the situation, we may rent machineries from local suppliers in Macau, or engage third parties to transport our machineries from Hong Kong to Macau.

BUSINESS

Seasonality

Our Directors believe that the concrete demolition industry in Hong Kong and Macau does not exhibit any significant seasonality.

LICENCES AND PERMITS

Hong Kong

As advised by the Hong Kong Legal Counsel, for any demolition works where we are involved as a subcontractor, if there is a registered specialist contractor under the Buildings Ordinance under the appropriate category to supervise the works and liaise with the Buildings Authority, our Group is not required to obtain any requisite licences, permits and approval for our operation and business except the business registration. Having reviewed relevant court decisions, the Hong Kong Legal Counsel considered that the licence arrangement similar to the aforesaid is not uncommon, and was referred to in previous court cases. Based on his observation, there have been no adverse findings by the court that such licence arrangement is unlawful in Hong Kong.

As confirmed by our Directors, for every concrete demolition work which is required to be carried out by a registered contractor and where we are involved as a subcontractor, there is such a registered contractor (usually the main contractor, or occasionally our external management consultant) to supervise the works and liaise with the Buildings Authority. As such, there are no licences, permits or approval necessary to be obtained for our Group to carry out our business in connection with concrete demolition services except the business registration.

With a view to ensuring that there is a registered contractor to supervise the works for every of our concrete demolition work which is required to be carried out by a registered contractor, we (i) ensure that the main contractor is a specialist contractor (demolition works) registered under the Building Department; (ii) obtain confirmation from the main contractor that a person is appointed to supervise the work and we verify that this person is an appropriate specialist contractor (demolition works) registered under the Building Department; or (iii) engage an external management consultant (the "**Management Consultant**"), being Customer H, which is a specialist contractor (demolition works) registered under the Building Department, to supervise the work.

Our Group has not applied for the registration with the Buildings Department as a Registered Specialist Contractor under the category of demolition works since the commencement of business until 2016 because our Group did not need to engage the Management Consultant to supervise the work often in early years.

With a view to enhancing our Group's profile in the industry, in March 2016 Kingland (Sino) has applied for the registration with the Buildings Department as a Registered Specialist Contractor under the category of demolition works, and such application was successfully completed in August 2016.

BUSINESS

As at the Latest Practicable Date, we had obtained the following licences and qualifications in relation to our business in Hong Kong:

1. Registered Specialist Contractor (Demolition works)

With a view to enhancing our Group's profile in the industry, we have obtained the status as a Registered Specialist Contractor with the Buildings Department under the category of demolition works. For further details, please refer to the section headed "Regulatory Overview – The laws and regulations of Hong Kong – C. Laws and regulations in relation to contractor licensing" in this document. The details of our registration are set out below:

| Type of registration | Granted by | Type(s) of works covered | Granted to | Registration date | Expiry date |
|----------------------------------|----------------------|--------------------------|-----------------|-------------------|--------------|
| Registered Specialist Contractor | Buildings Department | Demolition works | Kingland (Sino) | 3 August 2016 | 11 July 2019 |

As advised by the Hong Kong Legal Counsel, there is no material legal impediment in the renewal of the aforesaid registration by our Group.

2. Subcontractor Registration Scheme

Based on our Directors' experience, some of our customers, in particular main contractors of major public sector projects, prefer to engage subcontractors who are registered in the Subcontractor Registration Scheme of the Construction Industry Council. For further details, please refer to the section headed "Regulatory Overview – The laws and regulations of Hong Kong – C. Laws and regulations in relation to contractor licensing" in this document. The details of our registration are set out below:

| Type of registration | Granted by | Type(s) of works covered | Granted to | Registration date | Expiry date |
|-----------------------------------|-------------------------------|---|---------------------------|-------------------|---------------|
| Subcontractor Registration Scheme | Construction Industry Council | General demolition and others (concrete coring and saw cutting) | Kingland (Sino) (Note) | 20 March 2015 | 19 March 2017 |

Note: For the period from 1 January 2014 and up to the completion of Transfer of Business, we were registered in the Subcontractor Registration Scheme under the name of Kingland Concrete.

As advised by the Hong Kong Legal Counsel, there is no material legal impediment in the renewal of the aforesaid registration by our Group.

BUSINESS

3. *Registered Minor Works Contractor*

Pursuant to the Building (Minor Works) Regulation, a total of 126 items of building works have been classified as minor works. Contractors are required to be registered as a Registered Minor Works Contractor under the Buildings Ordinance in order to carry out such minor works. For further details, please refer to the section "Regulatory Overview – The laws and regulations of Hong Kong – D. Laws and regulations in relation to the operation of minor works" in this document.

Concrete demolition jobs undertaken by us may occasionally include a portion of works that are classified as minor works, such as the removal of windows during the course of demolition of concrete walls. The details of our registration are set out below:

| Type of registration | Granted by | Granted to | Registration date | Expiry date |
|-----------------------------------|----------------------|---------------------------|-------------------|--------------|
| Registered Minor Works Contractor | Buildings Department | Kingland (Sino) (Note) | 24 July 2015 | 24 July 2018 |

Note: For the period from 1 January 2014 and up to the completion of Transfer of Business, we were registered as a Registered Minor Works Contractor under the name of Kingland Concrete. According to the Practice Note issued by the Buildings Department, persons who have been accepted as the authorised signatory for a Registered Minor Works Contractor cannot act as a key personnel for another contractor firm simultaneously. In order to ensure that Mr. Mak could act as the proposed authorized signatory of Kingland (Sino) in its application for registration as a Registered Minor Works Contractor, Kingland Concrete had commenced preparation for the transfer of its authorised signatory, namely Mr. Mak to Kingland (Sino) prior to the completion of the Transfer of Business. An application dated 3 February 2015 was submitted by Kingland (Sino) to the Buildings Department for registration as a Registered Minor Works Contractor. Subsequently, by a letter dated 25 February 2015, Kingland Concrete undertook to the Buildings Department that Mr. Mak will be resigned as its authorised signatory upon the approval of the aforesaid application of Kingland (Sino). The application of Kingland (Sino) was referred to the Minor Works Contractors Registration Committee of the Buildings Department on 30 April 2015 and subsequently approved on 8 July 2015. In view of the aforesaid, our Directors confirm that we have taken all reasonable steps to procure the registration of Kingland (Sino) as a Registered Minor Works Contractor as soon as practicable once the Business Transfer Agreement was entered into.

As advised by the Hong Kong Legal Counsel, there is no material legal impediment in the renewal of the aforesaid registration by our Group.

4. *Registered Electrical Contractor*

Depending on the facilities provided by our customers, we may occasionally have to perform certain electrical work on fixed electrical installations in order to set up the power supply for the machinery and equipment used in our operations at work sites.

BUSINESS

The details of our registration are set out below:

| Type of registration | Granted by | Granted to | Registration date | Expiry date |
|--|---|-------------------------------|-------------------|---------------|
| Certificate of registration of electrical contractor | Electrical and Mechanical Services Department | Kingland (Sino) <i>(Note)</i> | 17 March 2015 | 16 March 2018 |

Note: For the period from 1 January 2014 and up to the completion of Transfer of Business, we were registered as a Registered Electrical Contractor under the name of Kingland Concrete.

As advised by the Hong Kong Legal Counsel, there is no material legal impediment in the renewal of the aforesaid registration by our Group.

Macau

As advised by the Macau Legal Counsel, where the main contractor has obtained the relevant permits for a construction project from the Land, Public Works and Transport Bureau of Macau, no licences or permits are required to be obtained by the subcontractors of the project. As we undertake concrete demolition jobs as a subcontractor in Macau, as advised by the Macau Legal Counsel, we are not required to obtain any specific licences or permits for our business operation in Macau.

External management consultant

For certain concrete demolition works undertaken by us during the Track Record Period, neither our Group nor the main contractor had been registered as a registered contractor under the Buildings Ordinance. In such cases, we engaged the Management Consultant, being Customer H, which possessed the relevant registration status under the Buildings Ordinance for, among other things, being the authorised signatory of the works. Meanwhile, the actual operations, personnel arrangement (including the appointment of relevant technical competent persons for the site supervision) and all other daily supervisory responsibilities under the jobs were handled by our Group. We engaged the Management Consultant for a fixed fee on a case-by-case basis. The fee paid by our Group to the Management Consultant was determined based on the arms' length negotiation between the Group and the Management Consultant with reference to various factors including but not limited to the time required for the relevant project, risk, nature and complexity of the job.

As advised by the Hong Kong Legal Counsel, as the Management Consultant, being a registered contractor, has acted as the authorised signatory in supervising the works and leasing with the Buildings Authority, we do not need to be such registered contractor in carrying out demolition works in such jobs. The Hong Kong Legal Counsel is of the view that adequate supervision and proper management of the performance of the demolition works are provided under the aforesaid arrangement, having considered that: (i) it is the Management Consultant, being the registered contractor, who has the legal duties to satisfy itself that the concrete demolition works in the relevant project have been properly performed; (ii) the Management Consultant is under an obligation and has in fact carried out

BUSINESS

final review and checking on the works done by our Group, and we reported to the Management Consultant from time to time the progress of our works, including the actual operation and the daily supervisory works undertaken by us; and (iii) the Management Consultant provided overall guidance on the requirements under the Buildings Ordinance and relevant rules and regulations regarding the demolition works performed.

During the Track Record Period and up to the Latest Practicable Date, for jobs in which the Management Consultant was engaged as the authorised signatory for the works, our customers in such jobs had been other main contractors, and vice versa. Given that the Management Consultant would not be our external management consultant and customer simultaneously in a same job, our Directors consider that there is no conflict of interest in the aforesaid arrangement.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the revenue generated from jobs in which we engaged the Management Consultant amounted to approximately HK\$9.6 million, HK\$27.6 million and HK\$7.1 million, respectively. For the same period, our total consultancy fees paid to the Management Consultant amounted to HK\$25,000, HK\$12,000 and HK\$71,000, respectively.

To the best knowledge of our Directors, the Management Consultant, being our Customer H, is generally engaged as construction contractor in Hong Kong, and although the Management Consultant has been registered as a registered specialist contractors in demolition works, it would typically subcontract such demolition works to other contractors. As such, our Directors consider that our Group and the Management Consultant are competing on different segments of the industry. Further, in the event that the Management Consultant ceases to provide consultancy service to us in the future, we consider that we will be able to locate alternative service provider, on acceptable terms and in a timely manner.

CUSTOMERS

Characteristics of our customers

Our customers primarily include main contractors of construction or civil engineering projects in Hong Kong and construction projects in Macau.

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As we undertake jobs of considerably different scales, the revenue contribution from each customer to us varies significantly from customer to customer:

| Range of revenue contribution to us during the year/period | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2016 |
|--|--|--|--|
| | <i>Number of customers</i> | <i>Number of customers</i> | <i>Number of customers</i> |
| Below HK\$100,000 | 33 | 34 | 18 |
| HK\$100,000 to below HK\$500,000 | 19 | 14 | 7 |
| HK\$500,000 to below HK\$1,000,000 | 5 | 3 | 3 |
| HK\$1,000,000 to below HK\$5,000,000 | 8 | 12 | 10 |
| HK\$5,000,000 or above | <u>2</u> | <u>8</u> | <u>3</u> |
| Total number of customers with revenue contribution to us during the year/period | <u>67</u> | <u>71</u> | <u>41</u> |

Key terms of our engagement

In general, jobs are awarded to us on a case-by-case basis and are non-recurring in nature. We did not enter into any long-term agreements with any of our customers during the Track Record Period. Our Directors consider that such arrangement is in line with the industry practice. The principal terms of our engagement with customers, include, among other things, types and scope of works, bill of quantity and terms of payment.

In some jobs, our customers may require us to complete works within a specified period or in accordance with their works schedule. If we fail to do so, we may be liable to compensate our customers at a specified rate on a daily basis unless an extension of time was granted by them. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material delay in completing our works.

We generally grant to our customers a credit term of 14 to 60 days upon the date of issue of our invoices. Our customers 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. Retention money is usually required by customers who are main contractors of sizeable construction jobs. Pursuant to our contract, half of the retention money withheld is released to us upon our submission of the final invoice submitted to our customers and the remaining half of the retention money would be released after three to 12 months.

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Location of work sites

Set out below is a breakdown of our revenue by location of the work sites during the Track Record Period:

| | Year ended 31 December 2014 | | Year ended 31 December 2015 | | Six months ended 30 June 2015 (Unaudited) | | Six months ended 30 June 2016 | |
|---------------|-----------------------------------|----------------|-----------------------------------|----------------|---|----------------|----------------------------------|----------------|
| | <i>% of total</i> | | <i>% of total</i> | | <i>% of total</i> | | <i>% of total</i> | |
| | <i>HK\$'000</i> | <i>revenue</i> | <i>HK\$'000</i> | <i>revenue</i> | <i>HK\$'000</i> | <i>revenue</i> | <i>HK\$'000</i> | <i>revenue</i> |
| Hong Kong | 61,344 | 52.4 | 108,432 | 90.3 | 40,685 | 79.6 | 56,243 | 92.6 |
| Macau | <u>55,785</u> | <u>47.6</u> | <u>11,640</u> | <u>9.7</u> | <u>10,442</u> | <u>20.4</u> | <u>4,501</u> | <u>7.4</u> |
| Total revenue | <u>117,129</u> | <u>100.0</u> | <u>120,072</u> | <u>100.0</u> | <u>51,127</u> | <u>100.0</u> | <u>60,744</u> | <u>100.0</u> |

Top customers

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the percentage of our Group's total revenue attributable to our Group's top customer amounted to approximately 45.6%, 20.6% and 22.3%, respectively, while the percentage of our Group's total revenue attributable to our Group's top five customers combined amounted to approximately 86.2%, 59.8% and 66.0%, respectively.

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Set out below are the details of our top five customers and their background information:

For the year ended 31 December 2014

| Rank | Customer | Background and location | Year of commencement business relationship | Revenue <i>HK\$'000</i> | Approximate % of our total revenue |
|------|-------------------------------------|--|--|----------------------------|---|
| 1 | Customer A <i>(Note 1)</i> | Construction contractor in Macau; subsidiary of a company listed in Euronext Paris stock exchange, one of the Forbes Global 2000 companies | since 2013 | 53,400 | 45.6% |
| 2 | Customer B <i>(Note 2)</i> | Construction contractor in Hong Kong; subsidiary of a public company listed in Hong Kong | since 1996 | 34,845 | 29.8% |
| 3 | Customer E <i>(Note 3)</i> | A joint venture in Hong Kong formed by a construction contractor incorporated in Hong Kong and a construction contractor headquartered in the United Kingdom | since 2011 | 4,751 | 4.1% |
| 4 | Customer C1 <i>(Note 4)</i> | Construction contractor in Hong Kong | since 1994 | 4,270 | 3.7% |
| 5 | Customer Group D <i>(Note 5)</i> | Construction contractors in Hong Kong; subsidiaries of a public company listed in Hong Kong | since 1997 | 3,640 | 3.0% |

Notes:

1. The listed holding company of Customer A has three main branches under its construction segment, namely building and civil works, property and transport infrastructure. The building and civil works branch has operation in Europe, Asia & Middle East, Americas and Africa, with approximately 50,000 employees as at 31 December 2015. The sales and current operating profit of the building and civil works branch are over EURO10 billion and EURO300 million, respectively, for the year ended 31 December 2015. Our Group has over 18 years of business relationship with a fellow subsidiary of Customer A.
2. The principal activities of Customer B are building construction, civil and foundation engineering works and investment holding. The listed holding company of Customer B has operation in Hong Kong, the PRC, Macau and Far East global regions. The revenue and profit attributable to owners of the company of such listed company are approximately HK\$38 billion and HK\$0.4 billion, respectively, for the year ended 31 December 2015.
3. Based on public information available, the joint venture was a main contractor of the West Kowloon terminus project in Hong Kong of awarded sum of approximately HK\$1.0 billion in the year 2010.
4. Please refer to descriptions of Customer Group C's background as one of the top five customers for the year ended 31 December 2015.

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5. Customer Group D comprises Customer D1 and Customer D2, which were under common ownership at the material time. The principal activity of Customer Group D is construction. The listed holding company of Customer Group D has operation in, among others, Hong Kong, Macau and the PRC. The revenue and profit attributable to owners of the company of such listed company are approximately HK\$8.3 billion and HK\$0.1 billion, respectively, for the year ended 31 March 2015.

For the year ended 31 December 2015

| Rank | Customer | Background and location | Year of commencement of business relationship | Revenue <i>HK\$'000</i> | Approximate % of our total revenue |
|------|------------------------------------|--|---|----------------------------|------------------------------------|
| 1 | Customer F (<i>Note 1</i>) | A joint venture in Hong Kong formed by a construction group listed in Hong Kong (to which Customer Group D is a part), and a PRC railway group listed in Hong Kong | since 2013 | 24,672 | 20.6% |
| 2 | Customer Group G (<i>Note 2</i>) | Construction contractors in Hong Kong; subsidiaries of a public company listed in Hong Kong | since 1997 | 16,932 | 14.1% |
| 3 | Customer I | Construction contractor in Hong Kong | since 2011 | 10,618 | 8.8% |
| 4 | Customer Group C (<i>Note 3</i>) | Construction contractors in Hong Kong | since 1994 | 10,165 | 8.5% |
| 5 | Customer H (<i>Note 4</i>) | Construction contractor in Hong Kong | since 2003 | 9,402 | 7.8% |

Notes:

- Based on public information available, the joint venture was a main contractor of the Central – Wanchai Bypass project in Hong Kong which was commenced in January 2011.
- Customer Group G comprises Customer G1, Customer G2, Customer G3 and Customer G4, which were under common ownership at the material time. Based on public information available, and to the best knowledge of our Directors, the principal activities of Customer Group G were building construction and project management. The listed holding company of Customer Group G has operation in Hong Kong and the PRC, in segments ranging from property development, property related businesses (including but not limited to construction), to infrastructure and other businesses.
- Customer Group C comprises Customer C1, Customer C2 and Customer C3, which were under common ownership at the material time. Customer Group C was headquartered in Hong Kong, engaging in construction projects in Hong Kong, the PRC and Southeast Asia. Customer Group C was owned by two companies listed in London Stock Exchange, engaging in diversified business holdings and infrastructure services, respectively.
- Customer H was also our Management Consultant in some other jobs. To the best knowledge of our Directors, Customer H is generally engaged as construction contractor in Hong Kong and has been registered as a registered specialist contractor in demolition works.

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For the six months ended 30 June 2016

| Rank | Customer | Background and location | Year of commencement of business relationship | Revenue HK\$'000 | Approximate % of our total revenue |
|------|---------------------------|--|---|---------------------|------------------------------------|
| 1 | Customer K (Note 1) | A joint venture in Hong Kong formed by a construction group listed on the London Stock Exchange, a multinational construction company headquartered in the United Kingdom and a subsidiary of a public company listed in Hong Kong | since 2012 | 13,539 | 22.3% |
| 2 | Customer B (Note 2) | Construction contractor in Hong Kong; subsidiary of a public company listed in Hong Kong | since 1996 | 13,299 | 21.9% |
| 3 | Customer Group C (Note 3) | Construction contractors in Hong Kong | since 1994 | 5,239 | 8.6% |
| 4 | Customer J (Note 4) | A joint venture in Hong Kong formed by Customer B and a subsidiary of a public company listed in Hong Kong | since 2013 | 4,452 | 7.3% |
| 5 | Customer Group G (Note 5) | Construction contractors in Hong Kong; subsidiaries of a public company listed in Hong Kong | since 1997 | 3,579 | 5.9% |

Notes:

1. Based on public information available, the joint venture was a main contractor of the Admiralty MTR Station extension works project.
2. Please refer to descriptions of Customer B's background as one of the top five customers for the year ended 31 December 2014.
3. Please refer to descriptions of Customer Group C's background as one of the top five customers for the year ended 31 December 2015.
4. Based on public information available, the joint venture was a main contractor of the Wan Chai Development Phase II – Central – Wan Chai Bypass project in Hong Kong.
5. Please refer to descriptions of Customer Group G's background as one of the top five customers for the year ended 31 December 2015.

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of the top five customers of our Group during the Track Record Period.

During the Track Record Period, we have engaged Customer H as an external management consultant. For details, please refer to the paragraph headed “Licences and permits – External management consultant” in this section.

BUSINESS

Charge-back arrangement with our customers

During the Track Record Period, we had charge-back arrangement with some of our customers. Such charge-back consisted of the purchase cost of construction materials ordered by our customer, rental cost of machinery and equipment and other miscellaneous expenses in the construction sites. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the total charge-back to our customers amounted to approximately HK\$1.3 million, approximately HK\$7.3 million and approximately HK\$0.1 million respectively.

Upon our request, we may purchase construction materials from our customers and/or the main contractors. Such purchase cost of construction materials are settled by way of charge-back to the account with such customer and/or main contractor. The payments due to us from our customer and/or the main contractor will be settled after netting off such purchase cost of construction materials. Even though we may receive payment from our customers on a net basis, we recognise the respective revenue and cost separately (i.e. on a gross basis) in our combined financial statements.

Our Directors confirm that the aforesaid charge-back arrangement is in the interest of our Group and our customers as it allows our customers to have a better quality control over the materials employed by us in the course of performing the jobs, and that such arrangement is in line with the general industry practice.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, such charge-back to our top five customers during the Track Record Period amounted to approximately HK\$1.1 million, HK\$5.6 million and HK\$0.1 million, respectively, representing approximately 90.9%, 76.8% and 88.0% of our total charge-back for the same periods, respectively.

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The following table sets forth the information on our top five customers from whom we had charge-back arrangement during the Track Record Period:

| | Year ended 31 December 2014 | | Year ended 31 December 2015 | | Six months ended 30 June 2016 | |
|--|--------------------------------|----------------------|--------------------------------|----------------------|----------------------------------|----------------------|
| | <i>HK\$'000</i> | <i>Approximate %</i> | <i>HK\$'000</i> | <i>Approximate %</i> | <i>HK\$'000</i> | <i>Approximate %</i> |
| Customer A | | | | | | |
| Revenue derived and approximate % of total revenue | 53,400 | 45.6 | 7,555 | 6.3 | – | – |
| Contra-charge and approximate % of total cost of sales | 416 | 0.5 | 1,558 | 1.9 | – | – |
| Customer B | | | | | | |
| Revenue derived and approximate % of total revenue | 34,845 | 29.8 | 6,854 | 5.71 | 13,299 | 21.9 |
| Contra-charge and approximate % of total cost of sales | 720 | 0.8 | 646 | 0.8 | 4 | 0.01 |
| Customer Group C | | | | | | |
| Revenue derived and approximate % of total revenue | 4,270 | 3.7 | 10,165 | 8.5 | 5,239 | 8.6 |
| Contra-charge and approximate % of total cost of sales | – | – | 27 | 0.03 | 53 | 0.1 |
| Customer Group D | | | | | | |
| Revenue derived and approximate % of total revenue | 3,640 | 3.0 | 1,192 | 1.00 | 1,180 | 1.9 |
| Contra-charge and approximate % of total cost of sales | – | – | 4 | 0.005 | 14 | 0.03 |
| Customer E | | | | | | |
| Revenue derived and approximate % of total revenue | 4,751 | 4.1 | 3,786 | 3.2 | 184 | 0.3 |
| Contra-charge and approximate % of total cost of sales | – | – | 12 | 0.01 | – | – |
| Customer F | | | | | | |
| Revenue derived and approximate % of total revenue | 1,560 | 1.3 | 24,672 | 20.6 | 1,200 | 2.0 |
| Contra-charge and approximate % of total cost of sales | – | – | 2,348 | 2.86 | 14 | 0.03 |

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| | Year ended 31 December 2014 | | Year ended 31 December 2015 | | Six months ended 30 June 2016 | |
|--|--------------------------------|-------------------------|--------------------------------|-------------------------|----------------------------------|-------------------------|
| | HK\$'000 | <i>Approximate</i> % | HK\$'000 | <i>Approximate</i> % | HK\$'000 | <i>Approximate</i> % |
| Customer Group G | | | | | | |
| Revenue derived and approximate % of total revenue | 229 | 0.2 | 16,826 | 14.0 | 3,579 | 5.9 |
| Contra-charge and approximate % of total cost of sales | – | – | 3 | 0.004 | – | – |
| Customer H | | | | | | |
| Revenue derived and approximate % of total revenue | 115 | 0.1 | 9,402 | 7.8 | – | – |
| Contra-charge and approximate % of total cost of sales | – | – | 1,005 | 1.22 | – | – |
| Customer J | | | | | | |
| Revenue derived and approximate % of total revenue | 179 | 0.15 | 2,459 | 2.05 | 4,452 | 7.3 |
| Contra-charge and approximate % of total cost of sales | 1 | 0.001 | 30 | 0.037 | 22 | 0.05 |

Customer concentration

Our top five customers accounted for approximately 86.2%, 59.8% and 66.0% of our total revenue for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. Despite such substantial revenue contribution by our top five customers, our Directors consider that we are not materially reliant on any single customer because:

- (i) we undertake jobs of considerably different scales. When we undertook a sizeable job, it can contribute to a substantial amount of our revenue in a particular period and resulting in the relevant customer becoming one of our largest customers in terms of revenue contribution to us in that particular period;
- (ii) during the Track Record Period, we received invitations to tender and requests for quotations from a range of customers. Our Directors consider that we may obtain sizeable jobs from various customers in different periods;
- (iii) except Customer Group C as referred to in the above tables, our top five customers for the year ended 31 December 2014 were different from those for the year ended 31 December 2015. Also, except Customer Group C and Customer Group G as referred to in the above tables, our top five customers for the year ended 31 December 2015 were different from those for the six months ended 30 June 2016; and

BUSINESS

- (iv) revenue derived from Customer Group C accounted for less than 4%, 9% and 8.6% of our total revenue for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively.

Collection of trade receivables and retention receivables

We face risks in relation to the collectability of our trade receivables. As at 31 December 2014 and 2015 and 30 June 2016, we recorded contract receivables of approximately HK\$8.8 million, HK\$19.2 million and HK\$23.8 million, respectively. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our debtor's turnover days of the contract receivables were approximately 18.2 days, 42.5 days and 64.4 days, respectively. For further details of our counterparty risk, please refer to the section headed "Risk Factors – We face risks in relation to the collectability of our trade receivables and retention receivables" in this document.

In order to mitigate such risk, customer acceptance procedures are performed on all potential customers, including but not limited to (i) checking the payment history of the customer and (ii) for new customers or customers of sizeable jobs, our senior management may ascertain the customer's credibility based on their experiences in the industry or require deposits from such customers.

Please also refer to the section headed "Financial information – Trade and other receivables" in this document for a further discussion and analysis on our trade receivables and our trade receivables turnover days during the Track Record Period.

SUPPLIERS

Characteristics of our suppliers

Our suppliers (excluding subcontractors) mainly include (i) suppliers of consumables such as saw blades, cutting wires and core bits as well as machinery parts; (ii) lessors of machineries; and (iii) suppliers of other miscellaneous services such as the transportation of machineries and construction wastes. The following table sets out a breakdown of our total purchases by type during the Track Record Period:

| | Year ended 31 December 2014 | | Year ended 31 December 2015 | | Six months ended 30 June 2016 | |
|---------------------------|---|-----------------|---|-----------------|---|-----------------|
| | <i>Approximate % of total cost HK\$'000</i> | <i>of sales</i> | <i>Approximate % of total cost HK\$'000</i> | <i>of sales</i> | <i>Approximate % of total cost HK\$'000</i> | <i>of sales</i> |
| Materials and consumables | 19,640 | 23.1 | 14,581 | 17.8 | 7,740 | 18.0 |
| Machineries rental cost | 4,847 | 5.7 | 8,126 | 9.9 | 2,942 | 6.8 |
| Transportation services | 5,229 | 6.2 | 8,362 | 10.2 | 2,761 | 6.4 |

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Please refer to the section headed "Financial Information – Cost of sales" in this document for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period.

When the market price of the goods and services from our suppliers substantially increases, we may not be able to pass on the cost pressure to our customers because our contracts with them generally do not provide for any price adjustment mechanism in case of fluctuation in the price of the goods and services from our suppliers. Based on the Ipsos Report, our Directors consider that the market prices of circular saw blade and wire, two important consumables in our business, were stable or on a downward trend. As such, our Directors consider that such cost pressure risk is minimal. During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required.

Key terms of engagement of suppliers

As our demand for goods and services from suppliers depends mainly on the types of work we undertake which may vary in different jobs, we generally do not enter into long-term agreement with or commit to any minimum purchases from our suppliers.

The principal terms of our orders with suppliers (excluding subcontractors) generally include, among other things, the measurement unit, unit price, terms of payment and delivery date.

We generally place order with our suppliers on a case-by-case basis. The price of the goods and services we purchased (excluding subcontracting services) is generally determined by reference to the pre-agreed rate in our orders. Payment terms granted by suppliers/subcontractors ranged from 15 to 90 days from the invoice date of the relevant purchases. However, the majority of credit terms granted are 30 days. We generally settled the payment by cheque for local suppliers/subcontractors and by remittance for overseas suppliers/subcontractors.

During the Track Record Period, majority of our suppliers are located in Hong Kong and most of the purchases from our suppliers were denominated and settled in HK dollars.

Top suppliers

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the percentage of our Group's relevant cost of sales^(note) attributable to our Group's top supplier (excluding subcontractors) amounted to approximately 41.1%, 21.2% and 22.1%, respectively, while the percentage of our Group's relevant cost of sales^(note) attributable to our Group's top five suppliers (excluding subcontractors) combined amounted to approximately 77.7%, 58.0% and 66.0%, respectively.

Note: excluding depreciation, staff costs and subcontracting charges.

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Set out below are the details of our top five suppliers (excluding subcontractors) and their background information:

For the year ended 31 December 2014

| Rank | Supplier | Background and location | Type of purchases by us from the supplier | Year of commencement of business relationship | Transaction amount <i>HK\$'000</i> | Approximate % of our total purchases | Approximate % of our total cost of sales |
|------|------------|--|---|---|---------------------------------------|--------------------------------------|--|
| 1 | Supplier A | Supplier of consumables and machinery parts in Hong Kong | Small tools | since 2011 | 13,255 | 41.1 | 15.6 |
| 2 | Supplier B | Supplier of transportation service in Hong Kong | Transportation and courier services | since 2007 | 5,079 | 15.7 | 6.0 |
| 3 | Supplier C | Lessor of machinery in Hong Kong | Rental of machinery | since 2007 | 3,572 | 11.1 | 4.2 |
| 4 | Supplier D | Supplier of consumables in South Korea | Small tools | since 2005 | 1,616 | 5.0 | 1.9 |
| 5 | Supplier E | Supplier of consumables in the PRC | Small tools | since 2006 | 1,562 | 4.8 | 1.8 |

For the year ended 31 December 2015

| Rank | Supplier | Background and location | Type of purchases by us from the supplier | Year of commencement of business relationship | Transaction amount <i>HK\$'000</i> | Approximate % of our total purchases | Approximate % of our total cost of sales |
|------|-----------------------------|--|---|---|---------------------------------------|--------------------------------------|--|
| 1 | Supplier B | Supplier of transportation service in Hong Kong | Transportation and courier services | since 2007 | 7,063 | 21.2 | 8.6 |
| 2 | Supplier E | Supplier of consumables in the PRC | Small tools | since 2006 | 3,872 | 11.6 | 4.7 |
| 3 | Supplier A | Supplier of consumables and machinery parts in Hong Kong | Fixed assets and small tools | since 2011 | 3,037 | 9.1 | 3.7 |
| 4 | Supplier F | Supplier of consumables in the PRC | Small tools | since 2009 | 2,700 | 8.1 | 3.3 |
| 5 | Supplier G <i>(Note)</i> | Lessor of machinery in Macau | Rental of machinery | since 2013 | 2,668 | 8.0 | 3.3 |

Note: Supplier G is also our Subcontractor A.

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For the six months ended 30 June 2016

| Rank | Supplier | Background and location | Type of purchases by us from the supplier | Year of commencement of business relationship | Transaction amount <i>HK\$'000</i> | Approximate % of our total purchases | Approximate % of our total cost of sales |
|------|------------|--|---|---|---------------------------------------|--------------------------------------|--|
| 1 | Supplier B | Supplier of transportation service in Hong Kong | Transportation and courier services | since 2007 | 3,249 | 22.1 | 7.5 |
| 2 | Supplier A | Supplier of consumables and machinery parts in Hong Kong | Fixed assets and small tools | since 2011 | 2,773 | 18.8 | 6.4 |
| 3 | Supplier E | Supplier of consumables in the PRC | Small tools | since 2006 | 2,130 | 14.5 | 4.9 |
| 4 | Supplier C | Lessor of machinery in Hong Kong | Rental of machinery | since 2007 | 783 | 5.3 | 1.8 |
| 5 | Supplier H | Lessor of machinery in Hong Kong | Rental of machinery | since 2016 | 778 | 5.3 | 1.8 |

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of the top five suppliers (excluding subcontractors) of our Group during the Track Record Period.

Supplier concentration

Our top five suppliers (excluding subcontractors) accounted for approximately 77.7%, 58.0% and 66.0% of our relevant cost of sales^(note) purchases for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. Despite the substantial amount of purchases from our top five suppliers, our Directors consider that we are not materially reliant on any single supplier because:

- (i) the types of goods and services supplied to us are not scarce in the market and are available from a range of different suppliers; and
- (ii) except for supplier A and supplier B, no single supplier accounted for more than 20% of our relevant cost of sales^(note) in each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016.

Note: excluding depreciation, staff costs and subcontracting charges.

Inventories

In general, consumables and machinery parts are procured by us based on the jobs on hand and are delivered to the work sites directly from time to time to meet the estimated demand according to the work schedule of the jobs. As such, we do not keep any inventories of consumables and machinery parts.

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SUBCONTRACTORS

Reasons for subcontracting

Depending on the availability of our labour resources, we may subcontract works to other subcontractors. Our Directors believe that these subcontractors generally have available skilled workers but some of them are in lack of the necessary machineries to perform concrete demolition works.

In most subcontracting arrangements, we provide machineries to our subcontractors while our subcontractors would provide labour resources. In general, we determine the amount of subcontracting charges based on (i) the amount of fees to be received by us from our customers in respect of the portion of works being subcontracted; (ii) the amount of labour resources to be provided by our subcontractors; (iii) the type and amount of machineries to be provided by us; (iv) the nature of works to be performed; and (v) the prevailing market conditions.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the subcontracting charges recognised by our Group amounted to approximately HK\$27.4 million, HK\$27.6 million and HK\$15.5 million, respectively.

Please refer to the section headed "Financial Information – Cost of sales" in this document for a discussion of the fluctuation in our subcontracting charges during the Track Record Period.

Top subcontractors

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the percentage of our Group's total purchases attributable to our Group's top subcontractor amounted to approximately 63.2%, 16.7% and 34.8%, respectively, while the percentage of our Group's total subcontracting charges incurred attributable to our Group's top five subcontractors amounted to approximately 94.3%, 67.5% and 86.0%, respectively.

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Set out below are the details of our top five subcontractors and their background information:

For the year ended 31 December 2014

| Rank | Subcontractor | Location | Year of commencement of business relationship with us | Amount <i>HK\$'000</i> | Approximate % of our total subcontracting fees incurred during the year |
|------|----------------------------------|-----------|---|---------------------------|---|
| 1 | Subcontractor A <i>(Note)</i> | Macau | since 2013 | 20,556 | 63.2 |
| 2 | Subcontractor B | Macau | since 2014 | 3,819 | 11.7 |
| 3 | Subcontractor C | Hong Kong | since 2012 | 3,097 | 9.5 |
| 4 | Subcontractor D | Hong Kong | since 2014 | 1,903 | 5.9 |
| 5 | Subcontractor E | Hong Kong | since 2013 | 1,304 | 4.0 |

Note: Subcontractor A is also our Supplier G.

For the year ended 31 December 2015

| Rank | Subcontractor | Location | Year of commencement of business relationship with us | Amount <i>HK\$'000</i> | Approximate % of our total subcontracting fees incurred during the year |
|------|-----------------|-----------|---|---------------------------|---|
| 1 | Subcontractor F | Hong Kong | since 2007 | 4,583 | 16.7 |
| 2 | Subcontractor G | Hong Kong | since 2015 | 4,255 | 15.5 |
| 3 | Subcontractor C | Hong Kong | since 2012 | 3,325 | 12.1 |
| 4 | Subcontractor D | Hong Kong | since 2014 | 3,321 | 12.1 |
| 5 | Subcontractor H | Hong Kong | since 2015 | 3,048 | 11.1 |

BUSINESS

For the six months ended 30 June 2016

| Rank | Subcontractor | Location | Year of commencement of business relationship with us | Amount HK\$'000 | Approximate % of our total subcontracting fees incurred during the six months |
|-------------|-----------------------------|-----------------|--|----------------------------|--|
| 1 | Subcontractor I | Hong Kong | since 2015 | 5,393 | 34.8 |
| 2 | Subcontractor H | Hong Kong | since 2015 | 3,564 | 23.0 |
| 3 | Subcontractor F | Hong Kong | since 2007 | 2,500 | 16.1 |
| 4 | Subcontractor J (Note 1) | Hong Kong | since 2015 | 1,071 | 6.9 |
| 5 | Subcontractor A (Note 2) | Macau | since 2013 | 806 | 5.2 |

Notes:

1. Based on information publicly available, the latest business registration certificate of Subcontractor J was expired on 18 September 2016, and there was no renewal thereafter and up to the Latest Practicable Date. To the best knowledge of our Directors, the reason for the non-renewal is that Subcontractor J no longer conducted any business in Hong Kong, and hence the renewal would be unnecessary. Our Group did not have any business relationship with Subcontractor J after 30 June 2016 and up to the Latest Practicable Date.
2. Subcontractor A is also our Supplier G.

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of the top five subcontractors of our Group during the Track Record Period.

Basis of selection of subcontractors

We carefully evaluate subcontractors in terms of their technical capability, track records, labour resources, and pricing. We select and maintain a list of approved subcontractors and update the list on a continuous basis. When engaging subcontractors, we generally select the most suitable one from our approved list of subcontractors based on their availability of labour resources and skill sets.

Relationship with subcontractors

Our Directors consider that we had stable working relationship with our subcontractors and confirmed that we had no material dispute with our subcontractors in respect of the works awarded to them during the Track Record Period. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we engaged more than ten subcontractors in carrying out our jobs.

BUSINESS

Control on subcontractors

In general, our engagements with subcontractors are on a case-by-case basis and non-recurring in nature. We did not enter into any long-term agreements or commit to any minimum amount of works or subcontracting charges with any of our subcontractors. The key terms of engagement with our subcontractors include, among others, the scope of works, the subcontracting charges, the expected completion date and terms of payment.

Similar to our progress payment arrangement with customers, our subcontractors generally submit to us a written statement detailing the works completed by them on a monthly basis. Once we have assessed and certified the amount, our subcontractors will issue invoice to us.

We may withhold a portion of each payment to our subcontractors as retention money. As the works carried out by our subcontractors are mainly demolition works, we generally do not request any defect liability period from our subcontractors.

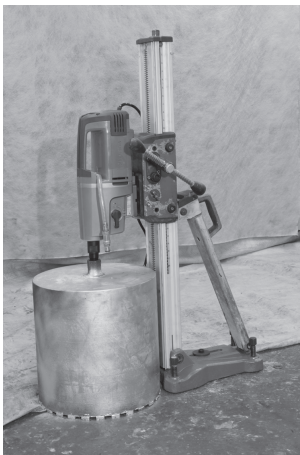
In general, works performed by our subcontractors are inspected and monitored by our project management team. For further information on our measures and management systems in relation to work quality, occupational safety and environmental protection, please refer to the paragraphs headed "Quality control", "Occupational health and work safety", and "Environmental compliance" in this section.

MACHINERIES

Types of machineries owned

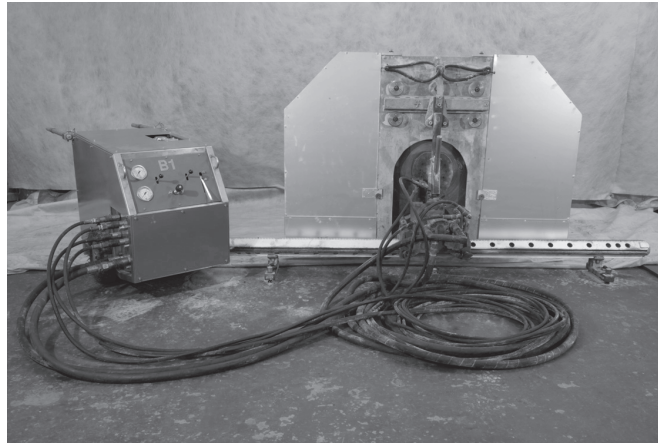
We possess our own machineries for performing different types of concrete demolition work, and therefore are not materially dependent on machineries rental. The major types of machineries owned by our Group include:

- (i) coring machines, which are used in concrete demolition works that are performed by way of coring;

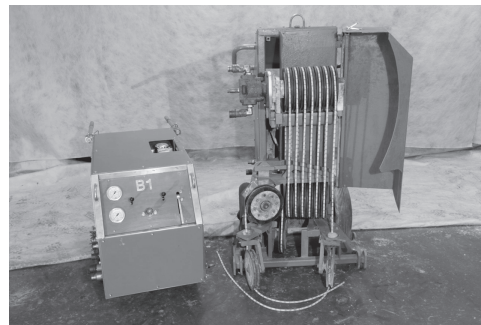
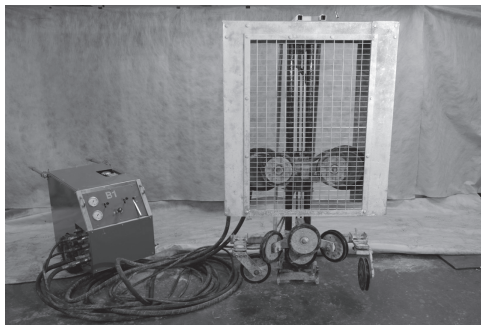


BUSINESS

- (ii) diamond blade saw cut machines, which are used in concrete demolition works that are performing by sawing and are typically applied for performing the sawing of walls and roads and the cutting of openings for windows and entrances;

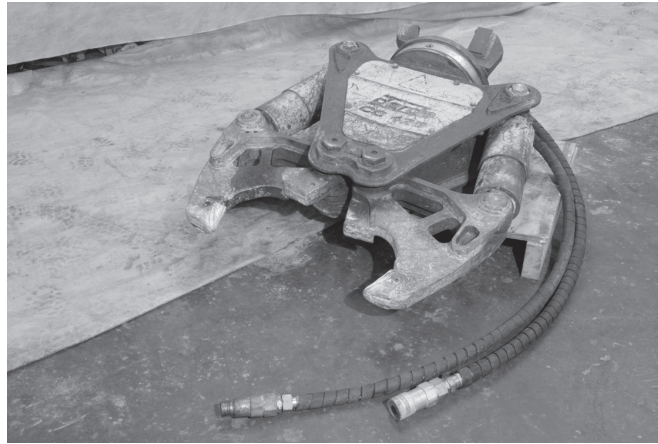


- (iii) wire saw cut machines, which are used in concrete demolition works that are performed by wire sawing and are typically applied for cutting sizeable or irregular reinforced concrete structures, or in narrow working space or special working environment such as underwater cutting;

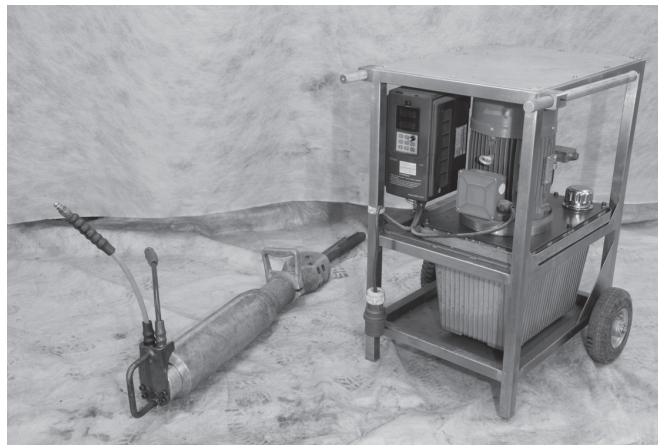


BUSINESS

- (iv) concrete crushers, which are used in concrete demolition works that are performed by crushing;

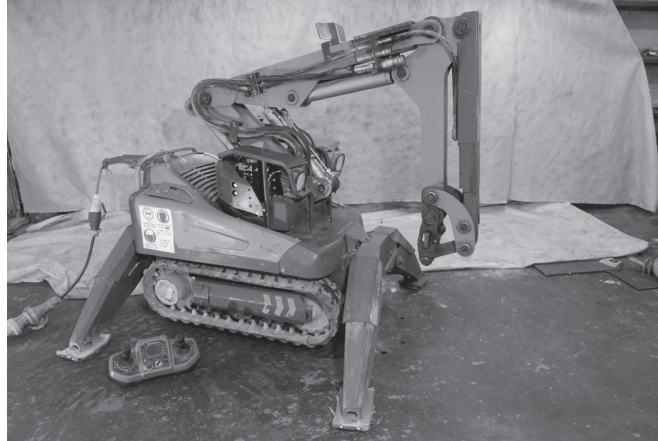


- (v) burster and hydraulic splitter, which are used in concrete demolition works that are performed by bursting; and



BUSINESS

- (vi) remote controlled multi-purpose robots, which are usually equipped with hydraulic breakers or hydraulic crushers for performing concrete demolition works by different methods such as crushing or breaking, and are able to minimise risks associated with work safety because it allows workers to keep at a safe distance when performing concrete demolition works.



The following table sets out a breakdown of the number of units of machineries owned by us:

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 | As at the Latest Practicable Date |
|--|---------------------------------------|---------------------------------------|-----------------------------------|--|
| | <i>No. of units</i> | <i>No. of units</i> | <i>No. of units</i> | <i>No. of units</i> |
| Coring machines | 9 | 14 | 14 | 14 |
| Diamond blade saw cut machines | 5 | 7 | 8 | 8 |
| Wire saw cut machines | 11 | 11 | 11 | 11 |
| Concrete crushers | 2 | 2 | 2 | 2 |
| Splitters | 5 | 5 | 5 | 5 |
| Remote controlled demolition robots | 3 | 5 | 6 | 6 |
| Others | 3 | 7 | 15 | 20 |
| Total | <u>38</u> | <u>51</u> | <u>61</u> | <u>66</u> |

We normally purchase our machineries from dealers in Hong Kong.

We generally only rent certain types of machineries such as loaders, excavators, forklifts and crane lorries for the lifting and moving of cut-out sections of concrete and other demolition debris and materials. For each of the two years ended 31 December 2014

BUSINESS

and 2015 and the six months ended 30 June 2016, our total machineries rental cost amounted to approximately HK\$4.8 million, HK\$8.1 million and HK\$2.9 million, respectively.

With our own fleet of machineries, we are able to devise suitable demolition plans and apply suitable demolition methods specifically tailored to various needs and requirements of different customers.

We believe that our investment in machineries has placed us in a position to cater for concrete demolition jobs of different scales and complexity and to meet the expected growing demand in major infrastructure and building developments in Hong Kong and Macau. During the Track Record Period, we acquired new machineries in the total amount of approximately HK\$3.5 million at cost. As at 30 June 2016, our machineries had a total net book value of approximately of HK\$3.0 million.

Repair and maintenance

We perform checks on our machineries after completion of work. In addition, routine maintenance procedures, such as injecting lubricants and dust cleaning, are performed on an on-going basis by our workers and in-house mechanics. Machineries that are discovered to be malfunctioning are generally sent to our in-house mechanics for examination and repair.

We have a team of in-house mechanics who are capable of repairing and maintaining our machineries. As at the Latest Practicable Date, our team of in-house mechanics consisted of five employees, one of them had worked in our Group for more than nine years.

Our in-house mechanics are capable of replacing the worn-out or malfunctioning parts and components of a machinery when necessary which, in turn, minimises our needs for making replacement for the entire machinery. This allows us to extend the usable life of our machineries and is more cost-effective than replacing the entire machinery.

In addition, our Directors consider that delivering malfunctioning or out-of-order machineries to suppliers for examination and repairing may not be cost-effective due to (i) uncertainty in the supplier's service availability; (ii) the time lag in response from the supplier; and (iii) the time required for returning the machinery to us. Meanwhile, our in-house mechanics could provide timely service on demand, and hence reduce the time period that the machinery remains unusable.

BUSINESS

Age and replacement cycle of machinery

The following table sets out a breakdown of the net book value and the useful life of our machineries by different age group as at 30 June 2016:

| Approximate age of machinery | Number of units of machinery | Net book value of machinery <i>HK\$'000</i> | Cost of acquisition of machinery <i>HK\$'000</i> | Weighted average age <i>(Years)</i> | Weighted average of remaining useful life <i>(Note)</i> <i>(Years)</i> |
|------------------------------|------------------------------|--|---|--|--|
| Less than 1 year | 18 | 2,409 | 2,912 | 0.41 | 3.54 |
| 1 year to less than 2 years | 5 | 389 | 546 | 1.18 | 2.78 |
| 2 years to less than 3 years | 0 | – | – | 3.00 | 1.00 |
| 3 years to less than 4 years | 2 | 227 | 1,127 | 3.60 | 0.42 |
| 4 years to less than 5 years | 10 | – | 826 | 4.21 | N/A |
| Over 5 years | 26 | – | 9,273 | 12.81 | N/A |
| | <u>61</u> | <u>3,025</u> | <u>14,684</u> | <u>6.48</u> | <u>1.30</u> |

Note: The weighted average of remaining useful life assumes a useful life of four years for each unit of machinery based on our accounting policy for depreciation of plant and machinery. Due to (i) regular maintenance, and (ii) regular replacement of worn-out or malfunctioning parts and components of a machinery, our Directors confirm that the actual useful life of our machineries in generally were much longer than the expected useful life based on accounting policy. As at the Latest Practicable Date, we do not foresee any imminent need for material replacement for our machineries and equipments.

As at the Latest Practicable Date, our Directors consider that our existing machineries were in good operating conditions in general. As mentioned above, our in-house mechanics are capable of replacing the worn-out or malfunctioning parts and components of a machinery instead of making replacement to the entire machinery. As such, we do not have a pre-determined or regular replacement cycle for our machineries and equipments. Our replacement decisions are made on a case-by-case basis based on the operating condition of each unit of machinery and equipment and cost comparison between the options of repair or outright replacement.

Nevertheless, the likelihood and frequency of malfunctioning in our existing machineries will increase as such machineries aged. Therefore, our Directors consider that continued investments in new machineries are necessary in order to maintain our overall efficiency, capacity and/or technical capability in performing concrete demolition works. For further information regarding our plan to acquire new machineries, please refer to the paragraph headed "Business strategies – Further enhancing our machineries" in this section and the section headed "Future Plans and Use of Proceeds" in this document.

BUSINESS

Safekeeping and transportation of machineries

Machineries that are not in use are generally stored in our warehouse located in Kwun Tong, Kowloon, Hong Kong which is equipped with locked gates and closed-circuit television security cameras. We have also taken out machinery insurance policy for our machineries.

Financing arrangements for the purchase of machineries

Taking into account our liquidity position and capital need, our Group purchased certain machineries and motor vehicles through finance leases during the Track Record Period. As at 30 June 2016, the interest rate under the finance leases was charged at flat interest rate of 2.0% to 3.5% per annum.

The net book value of our plant and machineries and motor vehicles purchased under finance leases amounted to approximately HK\$6.5 million, HK\$4.0 million and HK\$4.8 million as at 31 December 2014 and 2015 and 30 June 2016, respectively, representing approximately 92.1%, 57.2% and 56.2% of the net book value of our machineries and motor vehicles as at 31 December 2014 and 2015 and 30 June 2016, respectively.

Utilisation rate

For illustrative purposes only, the following table sets out our estimated utilisation rate of one set of each of 10-ton forklift, 85-litre loader and 22-kW remote controlled robot during the Track Record Period:

| | For the year ended 31 December 2014 | For the year ended 31 December 2015 | For the six months period ended 30 June 2016 |
|-------------------------------|--|--|--|
| 10-ton forklift | 82.2% | 77.8% | 90.0% |
| 85-litre loader | N/A ^(*) | 81.5% | 91.8% |
| 22-kW remote controlled robot | 78.1% | 82.7% | 89.0% |

* The 85-litre loader was acquired in 15 September 2015.

Note: The above table of rate of utilisation has not taken into account of the time of maintenance of the abovementioned machineries.

However, in view of the nature of our business and operations, save as the three particular pieces of machineries mentioned above, our Directors consider that it is not feasible or practicable to accurately quantify the service capacity and overall utilisation rate of all our other machineries and equipments due to the following reasons:

- (i) a typical concrete demolition job involves the use of various machineries and equipments in different stages. Also, our machineries and equipments are sometimes left unused for assembling, disassembling, repairing and maintenance

BUSINESS

works to be carried out. Due to the aforesaid, our Directors are of the view that it would be difficult to accurately measure an overall utilisation rate for our entire fleet of machineries and equipments in general. Further, it is not practicable for us to accurately record the daily or hourly usage of each individual machinery and equipment;

- (ii) each type of machineries and equipments is highly specific to different types and specifications of concrete demolition works. Given that we provide a range of concrete demolition works during the Track Record Period, it is not practicable to reliably quantify the capacity of each piece of machinery and equipment by making reference to an objective and comparable scale or standard of measurement. For instance, it is difficult to record the usage of crane lorry as it is used in our general operation from time to time among different jobs, and its usage is not specifically recorded in our internal job details. The use of the crane lorry can vary from transporting concrete to transporting machineries and may serve more than one job within a day. As such, there is not sufficient information to calculate the utilisation rate of the crane lorry; and
- (iii) given that different machineries and equipments are required to be used in different types and stages of concrete demolition jobs, and in view of the number of machinery and equipment owned by us, it would be difficult for us to identify one or a few types of machineries and equipments that are most crucial to our operation.

In view of the aforesaid, the collection of reliable and accurate data, including the hourly usage rate of each particular machinery and equipment other than those stated in the above table, required for the calculation of the utilisation rates is infeasible in practice.

During the Track Record Period, when our machineries and equipments were not deployed for use, they would generally be transferred or placed in our warehouse, pending further deployment in jobs when necessary. In addition, as a job may involve various categories of concrete demolition works, we may optimise our operational efficiency by having an effective scheduling in deploying our machineries and equipments.

BUSINESS

SALES AND MARKETING

During the Track Record Period, we secured new businesses mainly through direct invitation to tender or request for quotation by customers.

The following table sets out the number of jobs we submitted tender and/or quotation for and jobs awarded to us during the Track Record Period:

| | For the year ended 31 December 2014 | For the year ended 31 December 2015 | For the six months ended 30 June 2016 |
|---|--|--|--|
| Number of jobs which we submitted quotations and/or tenders for | | | |
| – Hong Kong | 316 | 306 | 196 |
| – Macau | <u>12</u> | <u>28</u> | <u>10</u> |
| Total | <u>328</u> | <u>334</u> | <u>206</u> ^(Note) |
| Number of jobs awarded to us after quotation and/or tenders | | | |
| – Hong Kong | 179 | 221 | 89 |
| – Macau | <u>8</u> | <u>19</u> | <u>2</u> |
| Total | <u>187</u> | <u>240</u> | <u>91</u> ^(Note) |
| Success rate | | | |
| – Hong Kong | 56.7% | 72.2% | 45.4% |
| – Macau | <u>66.7%</u> | <u>67.9%</u> | <u>20%</u> |
| Overall | <u>57.0%</u> | <u>71.9%</u> | <u>44.2</u> ^(Note) |

Note: Among these 206 jobs for which we submitted quotations and/or tenders, the results of 32 jobs were pending as at the Latest Practicable Date.

Our Directors consider that our overall success rate during the Track Record Period has been satisfactory. It is our general strategy to respond to our customers' invitations and request by submitting quotations and/or tenders.

Apart from direct invitations for tender or quotation by customers, we also actively explore new business opportunities by identifying any new projects in Hong Kong and Macau through subscription to relevant industry database. We have also displayed our logo on our own vehicles to increase our profile. In addition, we also actively liaise with existing and potential customers from time to time to keep ourselves abreast of their evolving needs and the latest industry trend.

BUSINESS

QUALITY CONTROL

Quality control measures

We have in-house rules governing work procedures for different types of works and operations of different types of machinery in order to ensure our work quality. Our workers are required to follow such in-house rules.

Mr. Mak, our chief technical officer, and Mr. Yip Wai Man, our sales manager, are responsible for the general monitoring of our workers' compliance with our in-house rules as well as our overall work quality. For the profiles of Mr. Mak and Mr. Yip, please refer to the section headed "Directors and Senior Management" in this document.

Quality control on our machinery and supplies

When machineries, consumables, machinery parts and other materials purchased by us are delivered to our Group, we will check the quantity and perform quality inspection to determine whether there are any observable defects in the goods delivered or malfunctioning of the machinery.

Track record in relation to work quality

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

For our quality control measures over our subcontractors, please refer to the paragraph headed "Control on subcontractors" in this section.

In recognition of our management system for concrete demolition services including concrete coring, sawing, bursting and crushing, our Group has been assessed and certified as meeting the requirements of ISO9001:2008 and OHSAS 18001:2007. For details, please refer to the paragraph headed "Awards and recognitions" in this section.

BUSINESS

OCCUPATIONAL HEALTH AND WORK SAFETY

Occupational health and work safety measures

We place emphasis on occupational health and work safety in providing concrete demolition services. Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. As such, we have established in-house rules to provide our workers with a safe and healthy working environment which include, among other things:

- the requirement for workers to follow proper procedures for carrying out different types of works, such as carrying and transporting heavy objects, working at height, using electricity and electric devices, performing underwater works;
- the requirement for workers to put on proper personal protection equipment under different circumstances, such as safety helmets, safety footwear, safety gloves, welding masks, breathing masks, lighting equipment, wireless communication equipment; and
- the requirement for workers to follow proper procedures for operating and handling different types of machinery.

As at the Latest Practicable Date, we had six safety supervisors who were responsible for regularly visiting and inspecting the performance of our concrete demolition works.

System of recording and handling accidents and our track record

We maintain an internal record of all accidents involving our employees during the course of employment. The number of accidents that we recorded during the Track Record Period and up to the Latest Practicable Date is summarised in the following table:

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2016 | After the Track Record Period and up to the Latest Practicable Date |
|--|-----------------------------------|-----------------------------------|--|---|
| Number of accidents resulting in injuries in: | | | | |
| – Hong Kong | 1 | 4 | 3 | 2 |
| – Macau | 0 | 1 | 0 | 0 |
| | 1 | 5 | 3 | 2 |
| | 1 | 5 | 3 | 2 |

BUSINESS

The following table sets out a summary of the expiry of limitation period of our work injury cases:

| Year | Number of employees' compensation claims which limitation period will expire | Number of personal injury claims which limitation period will expire |
|-------------|---|---|
| 2016 | 1 | 1 |
| 2017 | 4 | 1 |
| 2018 | 5 | 4 |
| 2019 | <u>0</u> | <u>5</u> |
| Total | <u><u>10</u></u> | <u><u>11</u></u> |

BUSINESS

Pursuant to our typical contracts with customers, accidents that take place at work sites must be reported to our customer and/or our customer's insurance company and/or the relevant government authorities as required by law or under the relevant insurance policies. However, based on the relevant records kept by us since the commencement of our operation up to the Latest Practicable Date, there were an aggregate of four cases where the work injuries of our employees had not been reported to the Commissioner of Labour in Hong Kong within the prescribed time limit, in contravention of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). We have taken remedial action and filed notices of work accident with the Commissioner of Labour in Hong Kong subsequently for all four cases. For further details of the legal consequences of such non-compliance incidents, please refer to the paragraph headed "Non-compliances" in this section. The following table sets out details of the four cases:

| No. | Date of accidents | Location | Nature and cause of the accidents and injuries |
|-----|-------------------|-----------|---|
| 1 | 27 February 2013 | Hong Kong | An employee suffered left palm injury during the course of work. |
| 2 | 18 April 2012 | Hong Kong | An employee suffered left ankle injury during the course of work. |
| 3 | 6 January 2012 | Hong Kong | An employee suffered left leg injury during the course of work. |
| 4 | 22 March 2011 | Hong Kong | An employee suffered right foot injury during the course of work. |

We have put in place an internal policy setting out the procedures for recording, handling and reporting all work-related accidents and injuries to the Commissioner of Labour. The key procedures are as follows:

- Upon occurrence of a work-related accident, it shall be reported to our on-site foreman and/or project manager. Details of the injury, including the date, time, location, causes, identity of the injured person, shall be gathered by our on-site foreman and/or project manager and shall be properly recorded by our administrative staff.
- In accordance with our internal procedures, we shall submit notification of the accident to the Commissioner of Labour by filling in the prescribed form in accordance with Employees' Compensation Ordinance within 14 days after we become aware of the accident and the injury, or, in case of a fatal accident, within seven days.
- All correspondences with the Labour Department shall be provided to the relevant customer and/or the relevant insurer.

BUSINESS

The following table sets out a comparison of the industrial accident rate per 1,000 workers between our Group and the industry average during the calendar years of 2014 and 2015 and the six months ended 30 June 2016 in Hong Kong. The industrial accident rates and fatality rates presented in the table below concern the construction industry as a whole instead of only the concrete demolition industry as our Directors were not aware of any statistics in relation to the industrial accident rate and fatality rate concerning only the concrete demolition industry in Hong Kong:

| | Industry average in Hong Kong (Note 1) | Our Group in Hong Kong (Note 2) |
|---|---|--|
| Calendar year from 1 January to 31 December 2014 | | |
| Industrial accident rate per 1,000 workers in construction industry | 41.9 | 18.35 |
| Industrial fatality rate per 1,000 workers in construction industry | 0.242 | – |
| Calendar year from 1 January to 31 December 2015 | | |
| Industrial accident rate per 1,000 workers in construction industry | 39.1 | 24.64 |
| Industrial fatality rate per 1,000 workers in construction industry | 0.2000 | – |
| Six months ended 30 June 2016 | | |
| Industrial accident rate per 1,000 workers in construction industry | N/A | 31.08 |
| Industrial fatality rate per 1,000 workers in construction industry | N/A | – |

Notes:

1. The industry average in Hong Kong is based on the Occupational Safety and Health Statistics Bulletin Issue No.16 (August 2016) published by Occupational Safety and Health Branch of the Labour Department of the Hong Kong Government.
2. Our Group's accident rate is calculated as the number of accidents during the calendar year divided by the number of site workers as at the end of the calendar year and then multiplied by 1,000. The number of site workers includes employees of our Group.

Save as disclosed above, 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.

BUSINESS

A table showing our Group's lost time injuries frequency rates (LTIFRs) in Hong Kong is set out below:

| | |
|--|-------|
| 2014 | 6.56 |
| 2015 | 13.00 |
| 2016 (for the six months ended 30 June 2016) | 23.34 |

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries ("LTIs") occurred over a specified time (i.e. per 1,000,000 hours) worked in a period. The LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the calendar year by 1,000,000 and then dividing by the number of hours worked by the workers over that calendar year.
2. The average number of working days per worker during 2014 and 2015 and the six months ended 30 June 2016 were approximately 25.3 days, 25.7 days and 24.2 days per month, respectively on the basis that the working hour per worker is approximately 9.17 hours per day.

For the calendar years of 2014 and 2015, we experienced increase in our accident rate from 18.35 to 24.64. Our Directors believe it was mainly because there was an increase in total number of construction site workers being employed by our Group for the year from 2014 to 2015 to cater for the increased number of jobs undertaken during the relevant period in Hong Kong. Due to the general shortage of skilled workers in the construction industry in Hong Kong, the workers employed by us in the year of 2015 generally have a shorter term of working experience with us than those employed in the year of 2014, which may have resulted in the increase in occurrence of minor injuries such as finger injuries, shoulder contusion and cut on leg. The increase in LTIFRs during the Track Record Period is in line with the increase in accident rates as disclosed above. However, our accident rates are lower than the industry average in the calendar years of 2014 and 2015.

During the calendar year of 2015 and the six months ended 30 June 2016, our Group has experienced an increase in accident rate from 24.64 to 31.08. In particular, out of the three accidents during the six months ended 30 June 2016, two accidents took place at the job sites of jobs C9 and C11. Our Directors believe that such increase was mainly because the main contractors in respect of jobs C9 and C11 had intended to meet certain work schedule of the projects, and hence requested their various subcontractors to perform their responsible parts of works simultaneously. As a result, lesser spaces were designated to each subcontractor for setting up machineries and accommodating site workers. This had reduced the flexibility in movement of our workers, and might have increased the occurrence of accidents. The increase in lost-time injury frequency rate during the calendar year of 2015 and the six months ended 30 June 2016 has reflected the increase in accident rate during the same period.

In light of the above, our Directors have verbally communicated with the main contractors of jobs C9 and C11 to designate more spaces to us for placing our machineries and labour. To their best knowledge and understanding, the main contractors would follow up on the matter as soon as practicable. Further, the three accidents occurred during the six months ended 30 June 2016 were concerned with injuries which are relatively minor in nature, including bruise to the back and minor bone fractures to finger and elbow. Therefore, our Directors consider that the increase in accident rate does not affect the effectiveness of our safety system in place.

BUSINESS

ENVIRONMENTAL COMPLIANCE

Environmental compliance measures

Our Group's operation is subject to certain environmental requirements pursuant to laws in Hong Kong and Macau, including primarily those in relation to air pollution control, noise control and waste disposal. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this document.

We are committed to minimise any adverse impact on the environment resulting from our business activities. In order to comply with the application environmental protection laws, we have established an environmental management system, which includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees.

In relation to the construction waste resulting from our concrete demolition works in Hong Kong, our Group will generally dispose of such materials by smashing those materials into pieces at designated locations of the work sites, and instructing suppliers of transportation services to deliver them to designated prescribed facilities of the Hong Kong Government for unloading. Occasionally, we may deliver the construction waste to such facilities for unloading with our own motor vehicles.

Under section 16 of 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 the 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 under sections 16 of the Waste Disposal Ordinance commits an offence. As confirmed by our Directors, our Group is not aware of any unlawful disposal of waste by our customers or suppliers during the Track Record Period and up to the Latest Practicable Date. As advised by the Hong Kong Legal Counsel, in such circumstances, if it is our customer or supplier who makes any unlawfully waste disposal, it would be such customer or suppliers (rather than our Group) who will be liable under the Waste Disposal Ordinance.

In relation to construction waste delivered by our Group for unloading, we have taken the following measures to prevent the occurrence of unlawful waste disposal:

- established and maintained procedures designed to control risks arising from handling storage, use and disposal of substances hazardous to health;
- provided specific safety training to the relevant staff for handling hazardous substance; and
- followed the regulations issued by the main contractors in relation to waste disposal on site basis, and were subject to review by the main contractors on a regular basis.

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Our Directors confirmed that (i) we had not made any unlawful waste disposal in relation to our demolition works; and (ii) our Group had not been subject to any prosecution or legal action under the Waste Disposal Ordinance in the past and up to the Latest Practicable Date.

Further, 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, within a prescribed period after being awarded the contract, to establish a billing account in respect of that particular contract (details of which are set out in the section headed "Regulatory Overview – Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)").

As advised by the Hong Kong Legal Counsel, given that our Group acts as subcontractor in the project, in the event that the main contractor fails to establish a billing account as required in respect of a construction contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract, we will not be liable under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation.

As advised by the Hong Kong Legal Counsel, there is no compulsory requirement that the subcontractor in a construction work must establish a billing account under the Waste Disposal (Charges for Disposal of Construction Waste) Regulations, and the legal duty to establish a billing account for the construction work remains with the relevant main contractor. Nevertheless, our Group has maintained a billing account in our own name with the Environmental Protection Department during the Track Record Period and up to the Latest Practicable Date. The main reason for setting up our own billing account is that it was not efficient for us to rely on the main contractor's billing account for each disposal at the prescribed facilities, as it would inevitably involve time and manpower in liaising with such main contractor in advance.

The billing account established in our own name could be utilised by our Group as well as its suppliers of transportation services. Further, the billing account is not limited for use in any particular project. Therefore, in the event that our main contractor had not established billing account for a project, our Group could still utilise prescribed facilities with our own billing account. The Hong Kong Legal Counsel advised that it is not unlawful for our Group to make waste disposal at prescribed facilities with its own billing account, regardless of the main contractor's failure to establish a billing account for a particular project.

In relation to construction wastes handled by our suppliers of transportation services, our Group will generally instruct the suppliers to utilise the billing account in our own name in order to make waste disposal at prescribed facilities. In addition, before making payment to the suppliers, we will require them to provide us with receipts issued by the prescribed facilities to evidence the delivery of the waste materials to such facilities for unloading. Our Directors believe that these measures are adequate in preventing our suppliers from making unlawful waste disposal.

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In Macau, we will only instruct suppliers of transportation services to deliver the construction waste from our demolition works to designated facilities of the Macau Government for unloading. As advised by the Macau Legal Counsel, no charges were imposed by unloading of construction waste at official designated facilities for unloading. Therefore, our Directors consider that risk of improper disposal of construction waste by the suppliers engaged by us is relatively low.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we incurred approximately HK\$8,000, HK\$50,000 and HK\$11,000, respectively, in relation to compliance with applicable environmental rules and regulations, which primarily consisted of construction waste transportation costs and dumping charges. We estimate that our annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our business growth.

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

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

We maintain insurance policies to protect our offices and warehouses against a range of contingencies, including, among others, loss and theft of, and damage to, our property, machinery, equipment, motor vehicle and inventory. We also maintain personal and work-related injury insurance for our Directors and employees at our offices and warehouses. We are generally required to maintain insurance coverage for machine acquired under finance leases. In addition, we have secured third-party liability insurance regarding the use of our motor vehicles.

Our Directors confirmed that our employees in Macau, including local workers and imported workers from Hong Kong, were covered and protected by the labour insurance taken out by main contractor for the entire construction project. As advised by the Macau Legal Counsel, the aforesaid arrangement did not contravene any applicable Macau laws or regulations.

Our Directors believe that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to and are in line with the industry norm. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our insurance expenses were approximately HK\$1.0 million, HK\$0.9 million and HK\$0.4 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.

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EMPLOYEES

Number of employees

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 and Macau. The following table sets out a breakdown of the number of our employees by functions:

| | As at 31 December 2014 | | | As at 31 December 2015 | | | As at 30 June 2015 | | | As at 30 June 2016 | | | As at the Latest Practicable Date | | |
|--|------------------------|-----------|-----------|------------------------|----------|-----------|--------------------|----------|-----------|--------------------|----------|-----------|-----------------------------------|----------|------------|
| | Hong Kong | Macau | Total | Hong Kong | Macau | Total | Hong Kong | Macau | Total | Hong Kong | Macau | Total | Hong Kong | Macau | Total |
| Directors and general Management | 3 | 0 | 3 | 3 | 0 | 3 | 3 | 0 | 3 | 3 | 0 | 3 | 3 | 0 | 3 |
| Administration, accounting and finance | 9 | 0 | 9 | 14 | 0 | 14 | 10 | 0 | 10 | 12 | 0 | 12 | 12 | 0 | 12 |
| Project management and Execution | 38 | 14 | 52 | 64 | 7 | 71 | 51 | 8 | 59 | 63 | 6 | 69 | 76 | 3 | 79 |
| Repair and maintenance of machinery | 1 | 0 | 1 | 4 | 0 | 4 | 2 | 0 | 2 | 6 | 0 | 6 | 5 | 0 | 5 |
| Sales and marketing | 2 | 0 | 2 | 2 | 0 | 2 | 2 | 0 | 2 | 2 | 0 | 2 | 2 | 0 | 2 |
| Others | 4 | 0 | 4 | 5 | 0 | 5 | 4 | 0 | 4 | 5 | 0 | 5 | 5 | 0 | 5 |
| | <u>57</u> | <u>14</u> | <u>71</u> | <u>92</u> | <u>7</u> | <u>99</u> | <u>72</u> | <u>8</u> | <u>80</u> | <u>91</u> | <u>6</u> | <u>97</u> | <u>103</u> | <u>3</u> | <u>106</u> |

Relationship with staff

Our Directors consider that we have maintained good relationship with our employees in general. We had not experienced any significant problems with our employees or any disruption to our operations due to labour disputes nor had we experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period.

Training and recruitment policies

We generally recruit our employees from the open market or by referrals. We intend 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 technical aspects such as different types of concrete demolition methods, the operation of different types of machinery, as well as

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occupational health and safety and environmental protection measures for our work. Such training courses include our internal training as well as courses organised by the Construction Industry Council.

Employees in Macau

As we undertake jobs in Macau, apart from recruiting local workers in Macau, we may also arrange to send our employees in Hong Kong to Macau to carry out site supervision after obtaining proper work permits from the Macau Government. These employees are considered to be imported workers in Macau. During the Track Record Period, our customers in Macau, being the main contractors of the work sites, were responsible for handling the applications for work permits regarding our imported workers, and hence we, as subcontractor, were not required to apply for work permits for imported workers on our own. As advised by the Macau Legal Counsel, the aforesaid arrangement did not contravene any applicable Macau laws or regulations.

Remuneration policy

Our Group entered into separate labour contracts with each of our employees in accordance with the applicable labour laws.

The remuneration package our Group offers to 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.

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PROPERTIES

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

| Address | Landlord | Use of the property | Key terms of the tenancy |
|---|---|---|---|
| Units A and D, 1st Floor, Fu Hop Factory Building, Nos. 209 & 211, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong ^(Note 2) | An independent third party | Warehouse for our machinery, parts, consumables and other miscellaneous materials | Monthly rental of HK\$53,040 with tenancy period up to October 2019 |
| Flat B, Ground Floor, Fu Hop Factory Building, Nos. 209 & 211, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong ^(Note 2) | An independent third party ^(Note 1) | General office and operational use; workshop for our in-house repair and maintenance of machinery; and warehouse for our machinery, parts, consumables and other miscellaneous materials | Monthly rental of HK\$125,000 with tenancy period up to January 2018 |
| Block A8, Fullway Garden, Lot No. 376 in DD224, Sai Kung, N.T. | An independent third party | As the director's quarter of Mr. Cheung | Periodic lease with a monthly rental of HK\$39,600 |

Notes:

1. This involved personal guarantee provided by Mr. Cheung, being our Controlling Shareholder and executive Director. For details please refer to the section headed "Relationship with Our Controlling Shareholders – Independence of our Group" in this document.
2. On 7 February 2013, the Building Authority issued: (i) a building order against the owner of the Ground Floor Premises in connection with the unauthorised alterations to the internal wall, a canopy attached to the external wall and a metal frame yard structure; and (ii) two building orders against the owner of the 1st Floor Premises in connection with unauthorised alterations to a fire resistance door and an external wall. As advised by the Hong Kong Legal Counsel, given that (i) the building orders were addressed to the relevant landlords which own the two premises; and (ii) the alterations were not performed by our Group, we as a tenant will not be subject to any penalty in the event of prosecution in respect of the non-compliance with the building orders.

As informed by the landlord of the 1st Floor Premises, rectification works were carried out pursuant to the building orders issued by the Building Authority, pending inspection from the relevant authority on whether the relevant building orders have been duly complied with. In respect of the Ground Floor Premises, our Directors were informed that the relevant landlord was in negotiation with the Building Authority as to the specification of the rectification works required. Given that (i) the landlords of both 1st Floor Premises and Ground Floor Premises had taken the initiative to carry on the required rectification works; and (ii) the breaches with the Buildings Ordinances are not the most serious of their type, the Hong Kong Legal Counsel is of the view that the risk of Building Authority exercising its power under the Buildings Ordinance to conduct the required demolitions and reinstatements on the two premises in the foreseeable future, is not particularly high. Therefore, in such circumstances, the Hong Kong Legal Counsel consider that the risk of our Group being required to vacate from the two premises in the foreseeable future, is not particularly high.

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Although we consider that the possibility of being required to relocate from the 1st Floor Premises and Ground Floor Premises (due to non-renewal of tenancies and/or vacation order from governmental authorities) is remote, we have formulated a contingency plan to relocate our operations at such premises to an alternative site. In the event that we are required to relocate from our existing premises, our Directors consider that the relocation plan will mainly involve: (i) locating and leasing another site which permits usage for general warehouse, workshop and office use, (ii) arranging renovation at the new site; and (iii) transporting our machineries and other parts and equipment, and ancillary office items to the new site.

Our Directors do not envisage any major difficulties in implementing the relocation plan, considering that: (i) based on information available from properties agencies, we believe that we could readily identify and enter into tenancy agreement in relation to alternative site of comparable size, grading and usage in similar location within the Eastern Kowloon region, within two months; (ii) given that the alternative site is primarily for providing back-up service for our operations, we intend to perform only basic renovation for the alternative site, which we expect could be completed within one month; and (iii) as we could carry out the transportation with our own motor vehicles and staff, the logistic schedule would be relatively more flexible, and the expenses to be incurred in this regard are expected to be immaterial. Accordingly, we expect that the transportation works would take less than one month to be completed.

In view of the aforesaid, our Directors consider that the entire relocation plan would take approximately four months to be completed, and the estimated aggregate cost for the relocation would be approximately HK\$0.8 million.

As at 30 June 2016, no single property interest forming part of our Group's non property activities had a carrying amount of 15% or more of our total assets. Thus, this document is exempted from compliance with the requirements of rules 8.01A and 8.01B of the GEM Listing Rules and the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, with respect to the inclusion of a property valuation report in this document. Our Directors confirm that none of our property interests is individually material to our Group in terms of rental expenses.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we registered one trademark in Hong Kong. We will consider the registration of trademarks which we would use for our expansion if necessary.

As at the Latest Practicable Date, we have not received any material claim against us for infringement of any trademark nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us or third parties.

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Please refer to the paragraph headed "B. Further information about our business – Intellectual property rights of our Group" in Appendix IV to this document for further details of the registration of our trademark and domain names.

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.

However, we remain attentive to any latest development in concrete demolition techniques, machinery and equipment by subscribing to various industry journals and encouraging our staff to attend different trainings. We invest in new machinery and equipment from time to time in order to provide demolition services that could meet our existing and potential customers' requirements. Please refer to the paragraph headed "Machineries" in this section for further information.

AWARDS AND RECOGNITIONS

The following table summarises the awards and recognitions obtained by us in recent years:

| Date | Award or recognition | Granted by | Description |
|----------------|---------------------------------|--|--|
| 29 August 2015 | Certificate of OHSAS 18001:2007 | Accredited Certification International Limited | In recognition of our compliance with the OHS management system standard |
| 29 August 2015 | Certificate of ISO 9001:2008 | Accredited Certification International Limited | In recognition of our compliance with the requirements of quality management system standard |

MARKET AND COMPETITION

According to the Ipsos Report, the concrete demolition industry in Hong Kong is relatively consolidated and dominated by a few players, which include amongst others, Kingland Concrete (the former operator of our concrete demolition business in Hong Kong). The top five players accounted for approximately 23.5% of the total industry revenue in 2015. According to the Ipsos Report, our Group ranked first among concrete demolition service providers in Hong Kong in terms of total industry revenue in 2015. Similarly, the concrete demolition industry in Macau is dominated by a few major players. Based on the Ipsos Report, generally the active concrete demolition players in Macau are Hong Kong-based.

According to the Ipsos Report, the factors of competition in the concrete demolition industry in Hong Kong mainly include reputation and track record, machinery, workers and specialists and well-established presence and relationships with main contractors. For the concrete demolition industry in Macau, the factors of competition mainly included specialised equipment, reputation and track record and skilled labour.

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In view of the competition in the industry, we believe that we are well equipped to compete with our competitors based on our competitive strengths. In the event that competition within the concrete demolition industry in Hong Kong and Macau intensifies in the future, we are confident that we are able to withstand such competition with our competitive strengths. For further details of our competitive strengths, please refer to the paragraph headed "Competitive strengths" in this section.

INTERNAL CONTROL

In preparation for the [REDACTED], in November 2014, we engaged CT Partners, an independent internal control adviser, to perform an evaluation 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 is a company rendering internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange. Besides, the engagement team of CT Partners includes members of the Hong Kong Institute of Certified Public Accountants, a Certified Internal Auditor, a member of the Society of Chinese Accountants & Auditors, a fellow member of the Associations of Chartered Certified Accountants, an associate member of the Association of International Accountants, a member of Certified General Accountants Association of British Columbia, and an associate of the Taxation Institute of Hong Kong and a Certified Tax Adviser (HK).

CT Partners performed the evaluation from July 2015 to January 2016. Upon completion of the evaluation by CT Partners, CT Partners presented a number of findings that required mitigation actions. The key findings, together with the corresponding recommendations from CT Partners regarding internal control improvement measures includes:

Internal Control Review Findings

Our Group had no internal audit department monitoring the effectiveness of internal control procedures and compliance with policies and standards.

Our Group had no policy and procedures regarding the whistleblower program, including communications with other departments and business units.

Our Group had no formal performance appraisal form to record the staff performance and give feedback to staff for further improvement.

Our Group did not have standard checklist for the content in the staff permanent files.

Recommendations

Our Group may consider setting up an internal audit department or outsourcing the function to external consultants.

Our Group should set up the whistleblower program, including communications with other departments and business units.

Our Group should set up formal performance appraisal form to record the staff performance and give feedback to staff for further improvement.

Our Group should prepare the checklist for the content on the staff permanent file to ensure the completeness and accuracy of staff information.

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Internal Control Review Findings

Our Group did not sufficiently and frequently update the tender list.

Recommendations

Our Group should update the tender list for the result of tender submission whether it is awarded or failed.

To address the internal control improvement measures recommended by CT Partners, we agreed to fully implement such recommended measures prior to or upon [REDACTED]. CT Partners also performed follow-up review in February and March 2016 on the implementation status of the recommended measures. Based on the follow-up review, CT Partners concluded that our Group had properly implemented the recommended measures.

In addition, CT Partners has also reviewed and provided recommendations to our internal control designs for preventing non-compliance incidents. For further details, please refer to the paragraph "Non-compliance" in this section.

Based on the foregoing and having considered in particular (i) the internal control measures implemented by our Group; (ii) the nature of the findings identified by CT Partners during its evaluation, which, in the opinion of CT Partners, are not of the highest grading of risk in terms of the combined effect of likelihood and seriousness and therefore does not reflect negatively on the adequacy and effectiveness of our Group's internal control system in any material respect; and (iii) the recommendations provided by CT Partners in relation to the improvement measures and the prevention of recurrence of non-compliance incidents, which did not involve any material or fundamental changes to our Group's pre-existing internal control and risk management systems, our Directors are of the view that our internal control systems have been properly implemented and the internal control measures taken or to be taken are adequate and effective.

RISK MANAGEMENT

During the Track Record Period, we assessed and managed the risks arising from our operations based on the experience of our Group's management and our professional and technical staff. In order to improve our internal control and risk management system in the future, we have established the following on-going process for identifying, evaluating and managing the significant risks face by the Group. The key procedures that we have established and implemented are summarised as follows:

- (i) risks will be identified by our management team and reviewed by our Board;
- (ii) action plan will be considered, so long as the risk is required to be recognised, addressed and mitigated;
- (iii) our Board will monitor regulatory compliance by our Group. Further risk may be identified through communications between the heads of different departments and from public information; and
- (iv) our Group has appointed Ample Capital Limited as its compliance adviser (with effect from the [REDACTED] Date) to give advice to our Board on regulatory compliance with the GEM Listing Rules and the SFO.

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NON-COMPLIANCE

Our Directors confirm that save as disclosed below under this paragraph, our Group and Kingland Concrete (prior to the Transfer of Business) complied with all applicable laws and regulations in all material respects in Hong Kong and Macau (being the principal jurisdictions in which we operate) during the Track Record Period and up to the Latest Practicable Date.

Non-compliance with the Inland Revenue Ordinance

Set out below are non-compliance of Kingland Concrete (prior to the Transfer of Business) and Kingland (Sino) with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”):

| Relevant section of ordinance | Particulars of the non-compliance | Reason(s) for the non-compliance | Remedial action | Estimated/actual fine/penalty |
|-------------------------------------|--|--|--|---|
| Sections 52(4) and 52(5) of the IRO | <p>Kingland Concrete (prior to the Transfer of Business) and Kingland (Sino) failed to give the required notice (Form 56E) under the IRO to the Commissioner of Inland Revenue not later than three months after the date of commencement of employment of an individual concerning numerous employees before the Track Record Period and 200 employees during the Track Record Period and up to the Latest Practicable Date, respectively. Kingland Concrete (prior to the Transfer of Business) and Kingland (Sino) failed to give the required notice (Form 56F) to the Commissioner of Inland Revenue not later than one month before ceasing to employ an individual concerning numerous employees before the Track Record Period and 169 employees during the Track Record Period and up to the Latest Practicable Date, respectively.</p> <p>Kingland Concrete (prior to the Transfer of Business) and Kingland (Sino) have duly filed the Form 56B during the relevant period, thus fulfilling the requirement to report the remuneration and pensions and the list of employees to the Inland Revenue Department.</p> | <p>The omission was not wilful and was due to the inadvertent oversight of our accounting staff and absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.</p> | <p>Based on enquiries with the Inland Revenue Department, we understand that: (i) our Group does not have to file any Form 56E as remedial action; and (ii) given we have duly filed the Form 56B during the relevant period, our Group does not have to file any Form 56F as remedial action.</p> | <p>Section 80 of the IRO provides that any person without reasonable excuse fails to comply with section 52(4) or 52(5) of the IRO shall be guilty of an offence and the maximum penalty for each offence is \$10,000.</p> <p>Under section 80(3) of the Inland Revenue Ordinance, the time limit of prosecution of this kind of defaults is either in the year of assessment in respect of or during which the offence was committed or within six years after the expiration thereof.</p> <p>As advised by the Hong Kong Legal Counsel, the offence is quite minor and technical in nature, and since the Inland Revenue Department was aware of the employment affairs of Kingland Concrete and Kingland (Sino) from the employer’s return of remuneration and pensions and the list of employee which had been duly filed by us, prosecution under these circumstances is uncommon so the chance of prosecution is remote.</p> <p>As the chance of prosecution is remote, our Directors consider that contingent liabilities arising from the non-compliance with section 52(4) or 52(5) of the IRO are unlikely.</p> |

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Non-compliance with the Employees' Compensation Ordinance

Set out below are non-compliance of Kingland Concrete (prior to the Transfer of Business) with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("ECO"):

| Relevant section of ordinance | Particulars of the non-compliance | Reason(s) for the non-compliance | Remedial action | Estimated/ actual fine/ penalty |
|-------------------------------|--|--|--|--|
| Section 15(1A) of the ECO | <p>Under section 15(1A) of the ECO, we have the duty to report work injuries of our employees to the Commissioner of Labour within the prescribed time limit.</p> <p>There were four cases of work injuries of our employees which were not reported to the Commissioner of Labour within the prescribed time limit.</p> | <p>The breach was not wilful and was due to the inadvertent oversight of our administrative staff who had mistakenly believed that work injury with mutual settlement was not required to be reported to the Commissioner of Labour due to lack of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.</p> | <p>Not applicable as advised by our Hong Kong Legal Counsel, the requirement of notice of accident under ECO has no statutory scheme prescribed to remedy such non-compliance and such liability is not absolvable. Despite that, Kingland Concrete has filed all notices of work accident in relation to the unreported work injuries to the Commissioner of Labour on 21 March 2016.</p> | <p>Under section 15(6) of the ECO, if there is no reasonable excuse, failure to give such notice will result in criminal liability on the part of Kingland Concrete and it is liable to a maximum fine of HK\$50,000.00.</p> <p>As advised by our Hong Kong Legal Counsel, it is difficult to ascertain the likelihood of Kingland Concrete being subject to prosecution as it is at the discretion of the Commissioner of Labour. However, there is no imprisonment sentence to be imposed on the directors of Kingland Concrete and the only criminal liability applicable to Kingland Concrete is imposing fines. The maximum potential liability to be incurred by Kingland Concrete is HK\$200,000. As advised by our Hong Kong Legal counsel, the chance of the court imposing maximum penalty on Kingland Concrete is very low. If there is no prejudice to the entitlements of the injured workers, our Hong Kong Legal Counsel does not think they are the worst type of cases. Further, upon a guilty plea, the court is bound to give a one third discount to sentence.</p> |

Our Directors consider that no provision in relation to the non-compliance incidents is required to be made in the financial information of our Group for the two years ended 31 December 2015 and the six months ended 30 June 2016 and as at the respective year/period end because the chance of prosecution of all the non-compliance incidents is either very low or remote based on the opinion from the Hong Kong Legal Counsel.

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Non-compliance incidents of Kingland Concrete (prior to the Transfer of Business)

As advised by the Hong Kong Legal Counsel, in case of prosecution or imposition of penalty for the non-compliance of Kingland Concrete committed prior to the Transfer of Business, the liabilities thereof would remain with Kingland Concrete itself rather than Kingland (Sino), regardless of the completion of the Transfer of Business. The reason is that the liabilities resulting from the breaches of the aforesaid ordinances are criminal in nature, and thus are not assignable under the laws of Hong Kong.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a deed of indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the deed of indemnity, in respect of any liabilities which may arise as a result of any non-compliance of our Group (not including those of Kingland Concrete) 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 – Tax and other indemnities" in Appendix IV to this document.

Internal control measures to prevent the recurrence of non-compliance incidents

In order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, our Group has, pursuant to the recommendations made by CT Partners, an independent internal control adviser engaged by us as disclosed in the paragraph headed "Review by CT Partners" below, adopted or will adopt the following measures:

- we agree to establish system and manuals in relation to, among others, distribution of annual, interim or quarterly reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the GEM Listing Rules;
- in March 2016, our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are [REDACTED] on the Stock Exchange;
- we will engage CT Partners to have an annual review on the adequacy and effectiveness of our internal control system for the financial years ending 31 December 2016 and 2017, including areas of financial, operational, compliance and risk management;
- we have engaged Ample Capital Limited as our compliance adviser and have engaged Hong Kong External Legal Adviser, which will advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company;

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- we have established an audit committee which comprises all independent non-executive Directors, namely Mr. Chow Chun To, Mr. Chan Ngai Sang Kenny and Mr. Yam Chiu Fan Joseph. 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 independent internal control consultants, the External Legal Advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.
- with regard to the non-compliance in relation to the Inland Revenue Ordinance and Employee's Compensation Ordinance, our company secretary, Mr. Chen Yeung Tak, has been responsible for keeping the filing register up to date on a monthly basis in respect of, among other things, the status of all relevant documents required under Inland Revenue Ordinance (including the submission of Form 56E and Form 56F) and Employee's Compensation Ordinance (including the submission of Form 2 and Form 2B) starting from March 2016 and we will seek legal advice from external legal adviser to ensure ongoing compliance.

Review by CT Partners

In relation to the non-compliance incidents mentioned above, CT Partners has reviewed and provided recommendations to our internal control designs for preventing the recurrence of the aforementioned non-compliance incidents. Key measures adopted and to be adopted by our Group pursuant to the recommendations of CT Partners are disclosed above.

View of our Directors and the Sponsor

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rule 5.01 and 5.02 of the GEM Listing Rules or the suitability of [REDACTED] of our Company under Rule 11.06 of the GEM Listing Rules and that the various internal control measures adopted by our Group are adequate and effective having taken into account that (i) our Group and Kingland Concrete (if appropriate) have fully rectified all of the non-compliance incidents, if applicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; (iii) there were no recurring of similar non-compliance incidents since the implementation of such measures; and (iv) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors.

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The Sponsor, after considering the above and having reviewed the internal control measures and the findings of CT Partners, concurs with the view of our Directors that (a) the various internal control measures adopted by our Group are adequate and effective; and (b) the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rule 5.01 and 5.02 of the GEM Listing Rules and the suitability of [REDACTED] of our Company under Rule 11.06 of the GEM Listing Rules.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, Kingland Concrete (through which our concrete demolition business in Hong Kong was carried out prior to the Transfer of Business) and our Group was not engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group or Kingland Concrete (in respect of matters which have occurred prior to the Transfer of Business).

Regarding our work injury cases, our injured employees may commence their claims under the Employees' Compensation Ordinance and/or their personal injuries claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents. For details of the expiry dates of limitation period of our work injury cases, please refer to the paragraph headed "System of recording and handling accidents and our track record" in this section. As these potential claims have not yet been filed, we are not in a position to assess the likely amount of such potential claims. Our Directors confirm that our Group has insurance coverage for its liabilities resulting from all these incidents and therefore are of the view that such claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group.

All material non-compliant incident, claims, litigation or legal proceedings (if applicable, whether actual or threatened) against our Group (including Kingland Concrete), the shareholders of the Group companies, our Directors or any of their respective associates (if applicable), where required under the relevant laws, rules and regulations, in particular the GEM Listing Rules rule 17.50(2), Appendix 1 Part A paragraph 40 and 41(1), the Stock Exchange guidance letter GL63-13 and GL86-16, have been disclosed in this document. For further details, please also refer to the sub-section headed "Non-compliance" in this section and the section headed "Directors and Senior Management" in this document.

BUSINESS

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders entered into the Deed of Indemnity on 22 November 2016 whereby 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 arising from the on-going and potential litigations. Further details of the Deed of Indemnity are set out in the section headed "E. Other information – Tax and other indemnities" in Appendix IV to this document.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of five Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out the information regarding the members of our Board:

| Name | Age | Date of joining our Group | Date of appointment as Director | Present position | Principal responsibilities |
|-----------------------------------|-----|---------------------------|---------------------------------|--|--|
| Mr. CHAN Yuk Sing (陳玉成) | 57 | 16 July 1985 (Note) | 5 January 2015 | Executive Director | Overall business development and financial and strategic planning of our Group |
| Mr. CHEUNG Shek On (張錫安) | 55 | 16 July 1985 (Note) | 5 January 2015 | Chairman, executive Director and chief executive officer | Overall management and administration of our business operations |
| Mr. Kuan Hong Kin Daniel (關匡建) | 26 | 30 August 2016 | 30 August 2016 | Non-executive Director | Providing legal advice on our legal compliance matters |
| Mr. CHAN Ngai Sang Kenny (陳毅生) | 52 | 22 November 2016 | 22 November 2016 | Independent non-executive Director | Providing independent judgment on our strategy, performance, resources and standard of conduct |
| Mr. CHOW Chun To (鄒振濤) | 33 | 22 November 2016 | 22 November 2016 | Independent non-executive Director | Providing independent judgment on our strategy, performance, resources and standard of conduct |
| Mr. YAM Chiu Fan Joseph (任超凡) | 61 | 22 November 2016 | 22 November 2016 | Independent non-executive Director | Providing independent judgment on our strategy, performance, resources and standard of conduct |

Note: It refers to the date of joining Kingland Concrete, as our concrete demolition business in Hong Kong was formerly carried out through Kingland Concrete (which was controlled by Mr. Cheung and Mr. Chan together through the Track Record Period), prior to the Transfer of Business. For details, please refer to the section headed “History and Development” in this document.

Executive Directors

Mr. CHAN Yuk Sing (陳玉成), aged 57, is one of our Controlling Shareholders, a co-founder of our Group and an executive Director. He is responsible for the overall business development and financial and strategic planning of our Group. He is also a director of Kingland (Sino).

Mr. Chan has more than 30 years of experience in the concrete demolition industry. He co-founded our Group in 1985, and has been a director of Kingland Concrete since 16 July 1985.

DIRECTORS AND SENIOR MANAGEMENT

Directorships in Hong Kong companies

Mr. Chan was a director of the following companies, which were deregistered (but not due to member's voluntary winding-up) and, if applicable, had ceased business immediately prior to their dissolution, with voluntarily disclosed details as follows:

| Name of company | Date of dissolution | Nature of proceeding | Nature of business before dissolution |
|--|----------------------------|-----------------------------|--|
| B.B.C. Company Limited (必必勝有限公司) <i>(Note 1)</i> | 21 July 2000 | Deregistration | Food and beverage |
| Kingland Construction & Demolition Co. Limited (景聯創展工程有限公司) <i>(Note 1)</i> | 28 February 2014 | Deregistration | No business operation <i>(Note 2)</i> |
| Lubi Jian Cai (Hong Kong) Company Limited (香港魯碧建材公司) <i>(Note 1)</i> | 30 May 2008 | Deregistration | Trading |

Notes:

1. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (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; and (c) such company has no outstanding liabilities.
2. It was then established for the purpose of carrying out business in construction and demolition business. However, due to subsequent change in the business plan, no business has ever been carried out by it since its incorporation and until it was deregistered.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan was a director of the following companies that have been struck off:

| Name of company | Date of dissolution | Nature of proceeding | Nature of business before dissolution |
|---|---------------------|----------------------|---|
| Kingland Concrete Cutting Technology Limited (景聯混凝土切割科技有限公司) | 5 January 2007 | Struck off | No business operation ^(Note 1) |
| Kingland Concrete Drilling (China) Company Limited (景聯混凝土鑽鑿(中國)有限公司) | 2 February 2007 | Struck off | No business operation ^(Note 1) |
| Kingland Construction Company Limited (景聯建築工程有限公司) | 9 February 2007 | Struck off | No business operation ^(Note 1) |
| Sheung Sze Wan Village Company Limited (相思灣魚村有限公司) | 25 April 2003 | Struck off | No business operation ^(Note 2) |
| Kingland Development (Hong Kong) Company Limited (景聯發展(香港)有限公司) | 15 May 2009 | Struck off | No business operation ^(Note 1) |
| Lucky Golden International Limited (金得國際有限公司) | 29 December 2006 | Struck off | No business operation ^(Note 3) |

Notes:

1. These companies were then established for the purpose of carrying out business in various sectors of construction. However, due to subsequent change in the business plan, no business has ever been carried out by these companies since their incorporation and until they were struck off.
2. This company was then established in June 1997 by Mr. Chan and other independent third parties, for the purpose of carrying out catering business. The company was in operation for several years until it ceased business in around 2000.
3. This company was then established in August 2001 as investment holding vehicle. However, due to subsequent change in the business plan, no business or investment has ever been carried out by this company since its incorporation and until it was struck off.

Mr. Chan confirmed that there have been no claims against him in relation to the above-mentioned companies that have been deregistered or struck off, and the above-mentioned companies were solvent at the time of being struck off. No material non-compliant incidents, claims, litigation or legal proceedings are indicated to involve the above-mentioned companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan has been a director of the following companies against which winding-up petitions were filed due to the dispute among the then shareholders of these companies:

| Company | Date of incorporation | Nature of business | Nature of proceedings | Date of commencement of proceeding | Outcome of proceeding |
|-------------------|-----------------------|---------------------|-----------------------|------------------------------------|--------------------------------|
| Kingland Concrete | 9 July 1985 | Concrete drilling | Winding-up petition | 24 December 2001 | Dismissed on 20 September 2004 |
| Kingland Holdings | 13 November 1998 | Investment holdings | Winding-up petition | 24 December 2001 | Dismissed on 20 September 2004 |

Please refer to the paragraph headed "Shareholders' dispute" in this section for details of the aforesaid shareholders' dispute, and the section headed "History and Development – Excluded companies" for the background of the above companies.

On-going Litigation

DCCJ 5688/2015

On 17 December 2015, the plaintiff (the "**Plaintiff**") commenced a civil action against Mr. Chan, Mr. Cheung and another third party (collectively, the "**Defendants**"). The Defendants were and are the registered legal owners of the land in dispute in the New Territories, Hong Kong (the "**Disputed Land**"). It is alleged that, since 1983, the Plaintiff has (i) continuously used, possessed, occupied and controlled the fenced Disputed Land uninterrupted and undisturbed; and (ii) been in continuous, interrupted and undisturbed adverse possession of the fenced Disputed Land, to the exclusive of everyone including the Defendants.

Based on the allegations, the Plaintiff sought, among other things, (i) a declaration that the Plaintiff by herself has been in adverse possession of the Disputed Land continuously for 30 years or more and that she is entitled as against the Defendants to the right, title, benefit and interest of and in the Disputed Land as beneficial owner thereof on the ground that the Defendants' right of action against the Plaintiff has been statute-barred under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong); and (ii) an order that the name of the Plaintiff be entered into the register of owner kept in the Land Registry as the legal owner of the Disputed Land in the place of the Defendants. Based on advice from their legal advisers, Mr. Cheung and Mr. Chan commenced a legal action against the Plaintiff in dispute of her claim to the Disputed Land as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Directorship in Shanghai Longxin

Background of Shanghai Longxin and its branch company

Shanghai Longxin was established in the PRC as a limited liability company on 26 May 1994. As at the Latest Practicable Date, Shanghai Longxin was owned as to 42% by Kingland Concrete and as to 58% a PRC entity (the "**PRC Entity**"), which is an independent third party.

Based on the articles of association, the board of directors of Shanghai Longxin consists of five directors, including three directors nominated by the PRC entity and two directors nominated by Kingland Concrete. Since the incorporation of Shanghai Longxin, Mr. Chan and the Individual (as mentioned in the paragraph headed "Shareholders' dispute" in this section) are the directors nominated by the Kingland Concrete to the board.

Shanghai Longxin GZ Branch was established as a branch company of Shanghai Longxin in 30 November 1999. Mr. Chan has been the responsible person for Shanghai Longxin GZ Branch since its establishment.

The permitted scope of business of Shanghai Longxin and Shanghai Longxin GZ Branch includes construction and renovation engineering works, installation works of hydro and electrical equipment, and machinery equipment, as well as concrete demolition works involving drilling, cutting, reinforcement and renovation.

To the best knowledge of the Directors, Shanghai Longxin was not engaged in the business of construction and decoration engineering works and installation works of hydro and electrical equipment and machinery equipment in 2014 and 2015.

Non-compliances of Shanghai Longxin

The latest business licence of Shanghai Longxin expired on 25 May 2009, and no renewal was made since then. Further, Shanghai Longxin had failed to carry out annual inspection with the Shanghai Pudong New District Market Supervisory Board (上海市浦東新區市場監督管理局) ("**Pudong MSA**") since 2009. Mr. Chan confirmed that the failure of Shanghai Longxin in carrying out annual inspection within the prescribed time limit since 2009 was due to the inadvertent oversight of the then responsible officer(s), and the lack of timely and professional advice on this aspect of the PRC laws.

Under the articles of association and the then effective Implementation Regulations of Sino-Foreign Joint Venture Enterprises Law (《中外合資經營企業法實施條例》), PRC Company Law (《中華人民共和國公司法》) and 2nd Regulations of The Supreme Peoples' Court about Certain Questions on the Applicability of the PRC Company Law (《最高人民法院關於適用〈中華人民共和國公司法〉若干問題的規定(二)》), upon expiry of its business licence, Shanghai Longxin was required to commence winding-up proceedings within the prescribed time limit. However, based on the records of Pudong MSA, no information could be retrieved regarding the winding-up proceedings of Shanghai Longxin.

DIRECTORS AND SENIOR MANAGEMENT

As advised by the Shanghai PRC Legal Adviser:

- (i) the then effective PRC Company Law and relevant PRC regulations did not specify the legal liability of Shanghai Longxin for the aforesaid failure to commence winding-up proceedings within the prescribed time limit;
- (ii) under the then effective Companies Registration Management Regulations (《登記管理條例》), Shanghai Longxin's failure to carry out annual inspection could result in imposition of a fine of RMB10,000 to RMB100,000 and revocation of its business licence on it by Pudong MSA; and
- (iii) nevertheless, the then effective PRC laws and regulations did not impose any legal liability on the directors of Shanghai Longxin for the company's failure to carry out annual inspection. Therefore, the failure of Shanghai Longxin to carry out annual inspection does not affect Mr. Chan's qualification to act as director, supervisor or member of senior management in other PRC companies.

Due to the reasons as described in the paragraph headed "Directorship in Shigaoba" in this section, Mr. Chan is prohibited from acting as director, supervisor or member of senior management in PRC companies other than Shigaoba for the period from 29 January 2007 to 28 January 2010. Nevertheless, during the prohibition period, Shanghai Longxin had not discharged the duties of Mr. Chan as its director. As advised by the Shanghai PRC Legal Adviser, the then effective PRC laws and regulations did not specify (i) the liability of Mr. Chan in not resigning as a director of Shanghai Longxin, and (ii) the liability of Shanghai Longxin in not discharging the duties of Mr. Chan as its director, during the prohibition period. The Shanghai PRC Legal Adviser further confirmed that there is no specific penalty on Mr. Chan for acting as a director of Shanghai Longxin during the prohibition period. As advised by the Shanghai PRC Legal Adviser, Mr. Chan has become eligible again to act as director in PRC companies following the expiration of the prohibition period on 28 January 2010.

Non-compliances of Shanghai Longxin GZ Branch

Due to its failure to carry out annual inspection within the prescribed time limit, on 29 December 2008, the business licence of Shanghai Longxin GZ Branch was revoked by the Guangzhou Administration for Industry and Commerce (廣州市工商行政管理局) ("**Guangzhou AIC**") as administrative penalty. The reasons for Shanghai Longxin GZ Branch's failure in carrying out annual inspection within the prescribed time limit was substantially similar to those regarding Shanghai Longxin as set out in the preceding paragraph of this section.

Under the then effective Companies Registration Management Regulations, upon revocation of its business licence, Shanghai Longxin GZ Branch was required to apply for deregistration within the prescribed time limit. However, based on the records of Guangzhou AIC, no information could be retrieved regarding the application for deregistration by Shanghai Longxin GZ Branch.

DIRECTORS AND SENIOR MANAGEMENT

As advised by the Shanghai PRC Legal Adviser, the then PRC Company Law and the then effective PRC laws and regulations did not specify the legal liability of Shanghai Longxin and Shanghai Longxin GZ Branch for the aforesaid failure to apply for deregistration within the prescribed time limit.

As advised by the Shanghai PRC Legal Adviser, under the PRC Company Law, the liability of a shareholder in a limited liability company is limited to the subscribed investment sum contributed by it to the company, which happens to be the paid-up investment sum in Shanghai Longxin's case. Therefore, the liability of Kingland Concrete as a shareholder in Shanghai Longxin was limited to the paid-up investment sum contributed by it to Shanghai Longxin, which is approximately US\$0.23 million.

Further, pursuant to the 2nd Regulations of The Supreme Peoples' Court about Certain Questions on the Applicability of the PRC Company Law, if the shareholder of a limited liability company fails to commence winding-up proceedings within the prescribed time limit, which results devaluation, dissipation, loss or damage to the company's assets, creditors of the company may claim against the shareholder for the loss suffered by them. As advised by the Shanghai PRC Legal Adviser, according to the PRC General Rules on Civil Law (《中華人民共和國民法通則》), unless otherwise stipulated, the limitation period for making claim against Kingland Concrete as a shareholder of Shanghai Longxin is two years from the date the creditors became aware of Shanghai Longxin's failure to commence winding-up proceedings within the prescribed time limit. Our Directors confirmed that as at the Latest Practicable Date they were not aware of any claim from creditor(s) of Shanghai Longxin regarding the failure to commence winding-up proceedings within the prescribed time limit.

Rectification measures taken by Mr. Chan

As advised by the Shanghai PRC Legal Adviser, the failure to carry out annual inspection with the relevant regulatory authorities is common in the PRC. After becoming aware of the aforesaid non-compliances on the part of Shanghai Longxin and Shanghai Longxin GZ Branch, Mr. Chan, in his capacity as director of Shanghai Longxin, considered it appropriate for him to resign as director of Shanghai Longxin and therefore delivered his written notice of resignation to the board of directors of Shanghai Longxin on 24 February 2016. On the same date, Kingland Concrete nominated another individual, being an independent third party, in replacement of Mr. Chan as director of Shanghai Longxin. On 26 March 2016, the board of Shanghai Longxin resolved to approve the aforesaid resignation and nomination of Mr. Chan's replacement with effect from the same date.

Nevertheless, the Shanghai PRC Legal Adviser consulted Pudong MSA and was informed that as the legal status of Shanghai Longxin is subject to serious legal defects due to its non-compliances mentioned above, Pudong MSA would only process such change in directorship together with an application for deregistration (for which the board of directors of Shanghai Longxin has not taken any action up to the Latest Practicable Date). Therefore, although the resignation of Mr. Chan as a director was approved by the board of directors of Shanghai Longxin as far as the company itself is concerned, based on the register of Pudong MSA, Mr. Chan remained to be a director of Shanghai Longxin as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan undertakes that so long as he continues to be a director of Shanghai Longxin based on the register of Pudong MSA, he will use his best endeavour in his capacity as director to demand the board of directors to take all necessary actions to rectify the aforesaid non-compliances.

In view of the aforesaid, our Directors are of the view that the non-compliances of Shanghai Longxin and Shanghai Longxin GZ Branch do not affect Mr. Chan's suitability as a Director under GEM Listing Rules 5.01 and 5.02.

Directorship in Shigaoba

Background of Shigaoba

Shigaoba was established in the PRC as a limited liability company on 12 October 2001. To the best knowledge of the Directors, Shigaoba was principally engaged in the promotion and technical consultancy on diving. Mr. Chan is the legal representative and a director of Shigaoba.

Non-compliance of Shigaoba

Due to its failure to carry out annual inspection within the prescribed time limit for the year 2005, on 29 January 2007, the business licence of Shigaoba was revoked by Guangzhou AIC as administrative penalty. Mr. Chan confirmed that he had delegated the administrative works of Shigaoba to one of its then shareholders before the annual inspection for the year ended 2005 was to be carried out. This was mainly because such shareholder, being a PRC citizen, was relatively more familiar with the administrative and filing requirements under the PRC laws, and compared with Mr. Chan it was more convenient for him to handle such tasks in person. At the relevant time, Mr. Chan did not have in his possession the documents and records required for carrying out the annual inspection, and he then lacked timely and professional advice on this aspect of the PRC laws. As confirmed by Mr. Chan, Shigaoba no longer carried out active business in 2005.

As advised by the Guangzhou PRC Legal Adviser, under the PRC Company Law and Registration Management Regulations on Legal Representative of Enterprise Entity (《企業法人法定代表人登記管理規定》), for any person (i) being the legal representative of a PRC company of which the business licence has been revoked due to violation of laws or regulations, and (ii) bearing personal responsibility for such violation of laws or regulations, he/she is prohibited from acting as legal representative, director, supervisor or member of senior management in other PRC companies within three years upon the revocation of business licence. However, if the PRC company failed to follow the prescribed procedures in applying for deregistration following the revocation of its business licence, the prohibition period for its legal representative to act as legal representative in other PRC companies may last longer than three years. As advised by the Guangzhou PRC Legal Adviser, the aforesaid prohibition to act as legal representative, director, supervisor or member of senior management in other PRC companies within three years was imposed automatically under the PRC Company Law and Registration Management Regulations on Legal Representative of Enterprise Entity without a court's verdict.

DIRECTORS AND SENIOR MANAGEMENT

As confirmed by the Guangzhou PRC Legal Adviser, the deregistration of Shigaoba was successfully completed on 8 April 2016, and the aforesaid prohibition on Mr. Chan to act as the legal representative, director or member of senior management of other PRC companies was no longer in force as at the Latest Practicable Date. Therefore, the Guangzhou PRC Legal Adviser is of the view that there is no evidence suggesting Mr. Chan is not capable of acting as director, legal representative or member of senior management in PRC companies.

As advised by the Guangzhou PRC Legal Adviser, given that Shigaoba was the personal investment of Mr. Chan and another independent third party individual, and Kingland Concrete has had no shareholding interest or any other involvement in Shigaoba, Kingland Concrete had no liability whatsoever in relation to the aforesaid non-compliance.

Rectification measures taken by Mr. Chan

Upon becoming aware of the matter, Mr. Chan took remedial action to rectify the aforesaid non-compliance by applying for deregistration of Shigaoba based on the legal advice of the Guangzhou PRC Legal Adviser, and the deregistration was successfully completed on 8 April 2016.

Based on the rectification measure taken by Mr. Chan, and given that the prohibition on Mr. Chan to act as the legal representative, director or member of senior management of other PRC companies was no longer in force based on the advice of the Guangzhou PRC Legal Adviser, our Directors are of the view that the non-compliance of Shigaoba do not affect Mr. Chan's suitability as a Director under GEM Listing Rules 5.01 and 5.02.

Our Group's internal procedures to prevent the occurrence of similar non-compliance incidents

Our Group will adopt certain internal control procedures upon [REDACTED] to prevent the occurrence of non-compliance incidents similar to those concerning Shanghai Longxin, Shanghai Longxin GZ Branch and Shigaoba (the "**Non-Compliance Incidents**") as described in the paragraphs above, and to ensure that our Group will not be susceptible to undue influence of any single Directors, details of which are set out below:

Procedures to be followed by Mr. Chan

- Mr. Chan has taken up and will continue to take up further corporate governance and directors duties training courses provided by our legal advisers as to Hong Kong laws, totalling not less than 20 hours until the end of the first full financial year follow the [REDACTED]. Such training courses, each lasting for around two hours, will focus on the following topics to enhance Mr. Chan's ability in identifying and preventing the recurrence of the Non-Compliance Incidents, including (i) general filing and secretarial matters including but not limited to the deadlines and requirements of statutory filings under the Companies Ordinance, Inland Revenue Ordinance and Mandatory Provident Fund Schemes Ordinance, (ii) renewal process regarding the various licenses held by our Group, including our business registration license and the various licenses pertinent to our Group's

DIRECTORS AND SENIOR MANAGEMENT

operation granted by the Buildings Department, Construction Industry Council and Electrical and Mechanical Services Department, and (iii) duties of directors of companies listed in Hong Kong to ensure compliance with the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules and the Securities and Futures Ordinance;

- Mr. Chan will fully comply with all the requirements set out in guidelines regarding corporate governance, risk management, licence application and renewal and financial reporting; issued by our Company to ensure that we will have a comprehensive internal control system upon and following the [REDACTED].
- Mr. Chan will sign an annual declaration of compliance to acknowledge that he has complied with the corporate governance measures and all relevant rules and regulations administered by the SFC and the Stock Exchange applicable to him as an executive Director. For further details on the corporate governance measures, please refer to the section headed "Relationship with our Controlling Shareholders – Corporate Governance Measures";
- Mr. Chan will peruse written manuals prepared by our legal advisers as to Hong Kong laws in relation to regulatory compliance and renewal of our various licenses. The written manuals will be subject to review and update by our legal advisers as to Hong Kong laws on an annual basis;
- Mr. Chan will attend written assessments conducted by our legal advisers as to Hong Kong laws. The assessments will be held on a quarterly basis until the end of the second full financial year following the [REDACTED], and will cover the various topics discussed in the aforesaid training courses and written manuals. Based on the results of the assessments, our legal advisers as to Hong Kong laws will discuss with Mr. Chan on any shortcoming identified, and provide him with focused training on those areas;
- Mr. Chan will attend formal meetings with members of our corporate governance department on a monthly basis to keep himself abreast of the updated status of our internal control and legal compliance matters;
- Mr. Chan has spent a total of 15 hours in studying the (i) legal opinions issued by Shanghai PRC Legal Adviser and Guangzhou PRC Legal Adviser, and (ii) internal control report issued by CT Partners, together with the corresponding recommendations regarding internal control improvement measures, in order to better understand the causes of the Non-Compliance Incidents, and to familiarise himself with the internal control system of our Group; and
- Mr. Chan will submit a checklist to our corporate governance department on a quarterly basis. The checklist was designed to examine his involvement in various corporate matters of our Group, including (i) participation rate at board meetings, (ii) frequency of meeting with the corporate governance department, (iii) time

DIRECTORS AND SENIOR MANAGEMENT

spent on attending trainings or perusing manuals as mentioned above, and (iv) acknowledgment of compliance with all those procedures to be followed by him as set out in this paragraph.

Legal due diligence review by our External Legal Advisers

- We have engaged our External Legal Advisers to perform legal due diligence review ("**Review**") on an annual basis after the [REDACTED] on our Group in Hong Kong and Macau in the following aspects (i) renewal status of our various licenses, (ii) statutory filings in relation to corporate secretarial, employment and taxation matters, (iii) compliance with the GEM Listing Rules, and (iv) implementation status of the various internal procedures as set out in this paragraph to prevent the occurrence of Non-Compliance Incidents;
- The External Legal Advisers shall have direct access to our Board members to (i) present findings of the Review, (ii) report on any non-compliance or violation identified, and (iii) advise on the liability and consequence of non-compliance or violation (if any), and possible rectification measures;
- In our annual report, our Group shall report any adverse findings from the Review or include negative statement (if appropriate), with support of written confirmations from the External Legal Advisers.

Procedures to be followed by our Group

- we will establish a corporate governance department comprising Mr. Cheung, our compliance officer, Mr. Chen Yeung Tak, our company secretary and a member of the Hong Kong Institute of Certified Public Accountants and Mr. Chow Chun To, an independent non-executive Director and a member of the Hong Kong Institute of Certified Public Accountants. The corporate governance department will be headed by Mr. Cheung. The corporate governance department will have two major functions, namely to conduct regular internal control reviews and to carry out legal compliance reviews on our Group's operations, with particular emphasis on general corporate filing and secretarial matters and renewal process regarding the various licences held by our Group for its operation;
- based on the results of the internal control reviews, the corporate governance department will advise our Board in the implementation of any remedial actions, if any potential or actual internal control or legal compliance deficiencies are identified from such reviews. Our Board will make final decisions on the implementation of such remedial plans. To ensure that such remedial plans are implemented, the corporate governance department will follow up and monitor the implementation status and report to the audit committee about the progress and results of such remedial plans;
- Mr. Kuan Hong Kin Daniel, a non-executive Director and a practicing barrister in Hong Kong, will (i) upon request provide regular advice and feedback to our corporate governance department on legal compliance matters; (ii) assist other

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Directors in assessing the advice from the corporate governance department, independent internal control adviser and the Hong Kong External Legal Adviser, based on his legal qualifications; (iii) evaluate the effectiveness of any remedial plan(s) implemented by our Group; and (iv) provide update to our Board on any latest legal development in Hong Kong which may be relevant to our Group's daily operations;

- in order to preserve independence, the corporate governance department will report to the audit committee directly on a quarterly basis, or on an ad hoc basis, if such matters are considered to require the immediate attention of the audit committee;
- in order to assist the corporate governance department, our Company has, upon [REDACTED], engaged (i) an independent internal control adviser; (ii) the Hong Kong External Legal Adviser; and (iii) the Macau External Legal Adviser. The term of appointment of the independent internal control adviser and the External Legal Advisers of our Company shall commence on the [REDACTED] Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the [REDACTED] Date;
- the independent internal control adviser of our Company will upon the [REDACTED] (a) advise on the general corporate filing and secretarial matters; (b) assist our Group in reviewing its internal operations manual and other internal approval policies and procedures from time to time; and (c) recommend implementation or remedial plans to enhance our Group's internal operational system and procedures if necessary;
- the Hong Kong External Legal Adviser of our Company will upon the [REDACTED] (a) advise on the deadlines and requirements for statutory filings or payment submissions under the Companies Ordinance, Inland Revenue Ordinance or any other relevant laws and regulations in Hong Kong to ensure all such filings or submissions are made in a timely manner; (b) advise on the renewal process regarding the various licenses held by our Group for its operation, including business license and the registrations with the Buildings Department; (c) advise on updates in respect of the Listing Rules and regulatory compliance matters which are relevant to our Company; and (d) provide corporate governance training to our Directors and senior management at least once a year; and
- in addition to the above measures, we will ensure that Mr. Chen Yeung Tak, our company secretary and one of the members of the corporate governance department will take up further corporate governance and legal compliance training courses, including in particular, courses covering the subjects on financial reporting management, general corporate filing and secretarial matters and renewal process regarding the various licenses held by our Group for its operation, totaling not less than 20 hours during the first year following the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

Views of our Directors and the Sponsor

Mr. Chan co-founded our Group at the age of 26. He has been responsible for the overall business development and financial strategic planning of our Group since its establishment. Under his co-leadership, our Group has attained leading position in the concrete demolition industry in Hong Kong (in terms of revenue) in 2015. This clearly demonstrates Mr. Chan's competence and abilities as a director in successfully establishing, managing and expanding the business of our Group.

Although a director of a listed company is expected to apply a reasonable standard of skill, care and diligence in performance of his duties, this does not mean that every director must be involved in all day-to-day regulatory or administrative matters. Such day-to-day regulatory or administrative matters are commonly delegated to appropriately qualified persons in listed companies.

In our circumstance, Mr. Chan attended a training session on director's responsibilities provided by our legal advisers in March 2016. Apart from that, Mr. Chan being a successful businessman in the construction industry received no formal and professional training on laws or company secretarial matters. Notwithstanding the above, the principal responsibilities of Mr. Chan as an executive Director of our Group are overall business development and financial and strategic planning of our Group. Mr. Chan will not be responsible for the day-to-day regulatory or administrative matters. The overall management and administration was reserved to Mr. Cheung who is the Chairman and the chief executive officer. The oversight of our financial reporting, financial control and company secretarial matters is handled by our company secretary Mr. Chen Yeung Tak, a member of the Hong Kong Institute of Certified Public Accountants. There is proper segregation of duties to ensure the appropriately experienced or qualified persons to handle the proper role in our Group.

Apart from the above, our Company has engaged the independent internal control adviser and the External Legal Advisers to assist the Group in its daily compliance matters upon [REDACTED]. Our Directors take the view that our Company's internal procedures, coupled with the recent appointment of a non-executive Director with legal qualification are sufficient to ensure due compliance with applicable laws and regulations going forward and prevent undue influence of any single Director. Having considered (i) Mr. Chan's track record of establishing and managing our business over the past 30 years; (ii) the clear segregation of duties in the corporate structure of our Group; (iii) the various corporate governance and internal control measures as explained above; and (iv) the diverse background of our Board including the non-executive Director who is a barrister, our Directors are of the view, and the Sponsor concurs, that Mr. Chan is competent as an executive Director of our Group to carry out his responsibilities.

In respect of the Non-Compliance Incidents, it is further noted that:

- no legal liability was imposed on Mr. Chan as a director in relation to the non-compliances of Shanghai Longxin;

DIRECTORS AND SENIOR MANAGEMENT

- Mr. Chan had used his best endeavors to rectify the non-compliances in relation to Shigaoba by successfully applying for the deregistration of Shigaoba;
- the majority of board of directors of Shanghai Longxin was controlled by the PRC Entity, and hence the influence of Mr. Chan on the company was limited. As Mr. Chan was not in the position to procure the implementation of rectification measures, he had instead attempted with his best effort to resign as a director of Shanghai Longxin (even though such resignation had not been processed by Pudong MSA due to the defects in the legal status of Shanghai Longxin);
- the prohibition on Mr. Chan to act as the legal representative, director or member of senior management of other PRC companies resulted from the non-compliance of Shigaoba was no longer in force;
- Mr. Chan was then not familiar with the PRC laws and he had relied on a fellow shareholder of Shigaoba and the responsible officer(s) of Shanghai Longxin, whom he had genuinely believed to be more familiar with the PRC laws to handle the relevant administrative and filing works;
- there was no indication of dishonesty or willful act committed on the part of Mr. Chan in relation to the Non-Compliance Incidents; and
- the rectification measures have been carried out by Mr. Chan as stated above to avoid occurrence of incidents similar to the Non-Compliance Incidents.

Based on the above, including our Director's and our Sponsor's views and basis that Mr. Chan is competent as an executive director of our Group, our Directors and our Sponsor are of the view that the Non-Compliance Incidents do not affect Mr. Chan's suitability as a Director under GEM Listing Rules 5.01 and 5.02.

Mr. CHEUNG Shek On (張錫安), aged 55, is one of our Controlling Shareholders, an executive Director and the chief executive officer of our Group. He joined our Group since its establishment in 1985, and has been a director of Kingland Concrete since 16 July 1985 (except for the periods from 16 August 1989 to 30 November 1989 and from 31 March 2005 to 30 June 2005). Mr. Cheung is responsible for the overall management and administration of our business operations. He is also a director of Platinum Faith, Alpha Eastern Holdings and Kingland Sino. Mr. Cheung has more than 30 years of experience in the concrete demolition industry.

Provision A.2.1 of the Corporate Governance Code and Corporate Governance Report, Appendix 15 of the GEM Listing Rules (the "CG Code") stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheung is the Chairman and the chief executive officer of our Company. In view that Mr. Cheung has been operating and managing our Group since our establishment, our Board believes that it is in the best interest of our Group to have Mr. Cheung taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung was a director of the following companies incorporated in Hong Kong, which were deregistered (but not due to member's voluntary winding-up) and, if applicable, ceased business immediately prior to its dissolution, with voluntarily disclosed details as follows:

| Name of company | Date of dissolution | Nature of proceeding | Nature of business before dissolution |
|--|----------------------------|-----------------------------|--|
| Kingland Construction & Demolition Co. Limited (景聯創展工程有限公司) <i>(Note 1)</i> | 28 February 2014 | Deregistration | No business operation <i>(Note 2)</i> |

Notes:

1. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (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; and (c) such company has no outstanding liabilities.
2. It was then established for the purpose of carrying out business in construction and demolition business. However, due to subsequent change in the business plan, no business has ever been carried out by it since its incorporation and until it was deregistered.

Mr. Cheung was a director of the following companies incorporated in Hong Kong that have been struck off:

| Name of company | Date of dissolution | Nature of proceeding | Nature of business before dissolution |
|---|----------------------------|-----------------------------|--|
| Kingland Concrete Cutting Technology Limited (景聯混凝土切割科技有限公司) | 5 January 2007 | Struck off | No business operation <i>(Note 1)</i> |
| Kingland Concrete Drilling (China) Company Limited (景聯混凝土鑽鑿(中國)有限公司) | 2 February 2007 | Struck off | No business operation <i>(Note 1)</i> |
| Kingland Construction Company Limited (景聯建築工程有限公司) | 9 February 2007 | Struck off | No business operation <i>(Note 1)</i> |
| Kingland Development (Hong Kong) Company Limited (景聯發展(香港)有限公司) | 15 May 2009 | Struck off | No business operation <i>(Note 1)</i> |
| Lucky Golden International Limited (金得國際有限公司) | 29 December 2006 | Struck off | No business operation <i>(Note 2)</i> |

DIRECTORS AND SENIOR MANAGEMENT

Notes:

1. These companies were then established for the purpose of carrying out business in various sectors of construction. However, due to subsequent change in the business plan, no business has ever been carried out by these companies since their incorporation and until they were struck off.
2. This company was then established in August 2001 as investment holding vehicle. However, due to subsequent change in the business plan, no business or investment has ever been carried out by this company since its incorporation and until it was struck off.

Mr. Cheung confirmed that there have been no claims against him in relation to the above-mentioned companies that have been deregistered or struck off. No material non-compliant incidents, claims, litigation or legal proceedings are indicated to involve the above-mentioned companies.

Mr. Cheung has been a director of the following companies against which winding-up petitions were filed due to the dispute among the then shareholders of these companies:

| Company | Date of incorporation | Nature of business | Nature of proceeding and amounts involved | Date of commencement of proceeding | Outcome of proceeding |
|-------------------|-----------------------|---|---|------------------------------------|--------------------------------|
| Kingland Concrete | 9 July 1985 | Provision of concrete demolition services | Winding-up petition | 24 December 2001 | Dismissed on 20 September 2004 |
| Kingland Holdings | 13 November 1998 | Investment holdings | Winding-up petition | 24 December 2001 | Dismissed on 20 September 2004 |

Please refer to the paragraph headed "Shareholders' dispute" in this section for details of the aforesaid shareholders' dispute, and the section headed "History and Development – Excluded Company" for the background of the above companies.

On-going litigation

Mr. Cheung is involved as one of the defendants in a civil action, further details of which are set out in the paragraph headed "On-going litigation – DCCJ 5688/2015" in this section.

Non-executive Director

Mr. KUAN Hong Kin Daniel (關匡建), aged 26, is a non-executive Director. Mr. Kuan is responsible for providing legal advice on our Group's legal compliance matters.

Mr. Kuan was admitted as a barrister in Hong Kong in March 2014. He obtained from The Chinese University of Hong Kong a bachelor's degree in law in November 2012 and the Postgraduate Certificate in Laws in July 2013.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. CHAN Ngai Sang Kenny (陳毅生), aged 52, is our independent non-executive Director. He is responsible for providing independent judgment on our strategy, performance, resources and standard of conduct.

Mr. Chan has more than 18 years of experience in accounting, taxation, auditing and corporate finance. He is a partner and founder of Kenny Chan & Co., a Certified Public Accountant firm.

Mr. Chan obtained a bachelor's degree of commerce from The University of New South Wales in Australia. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1992.

Mr. Chan is currently an independent non-executive director of TSC Group Holdings Limited (stock code: 206), Convoy Financial Holdings Limited (stock code: 1019), AMCO United Holding Limited (stock code: 630), Combest Holdings Limited (stock code: 8190) and WLS Holdings Limited (stock code: 8021), all of which are listed on the Stock Exchange.

Mr. CHOW Chun To (鄒振濤), aged 33, is our independent non-executive Director. He is responsible for providing independent judgment on our strategy, performance, resources and standard of conduct.

Mr. Chow has more than 9 years of experience in accounting and auditing. He worked at PCP CPA Limited as an accountant III from June 2006 to June 2007. He then joined HLB Hodgson Impey Cheng (currently known as HLB Hodgson Impey Cheng Limited) as an accountant I in June 2007 until December 2007. In February 2008, Mr. Chow joined Deloitte Touche Tohmatsu as an associate and was promoted to a senior in October 2008 until he left the company in April 2011. Mr. Chow worked as a financial manager at Chiho-Tiande (HK) Limited, a wholly-owned subsidiary of Chiho-Tiande Group Limited (stock code: 976), the issued shares of which are listed on the Stock Exchange, between May 2011 and May 2013. He then worked as a financial controller at JC Group Holdings Limited (stock code: 8326), the issued shares of which are listed on the Stock Exchange, from May 2013 to September 2014. Mr. Chow is currently the financial controller and company secretary of In Construction Holdings Limited (stock code: 1500), the issued shares of which are listed on the Stock Exchange.

Mr. Chow obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in December 2006 and has been a member of the Hong Kong Institute of Certified Public Accountants since July 2013.

Mr. YAM Chiu Fan Joseph (任超凡), aged 61, is our independent non-executive Director. He is responsible for providing independent judgment on our strategy, performance, resources and standard of conduct.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yam has served the Hong Kong Police Force for over 32 years. He joined the Royal Hong Kong Police (currently known as the Hong Kong Police Force) as a probationary inspector in 1977. He was promoted to a senior inspector and a chief inspector in 1987 and November 1990, respectively. He was further promoted to a superintendent in June 2004. Mr. Yam has retired from the Hong Kong Police Force in December 2009 and subsequently joined Hong Yip Service Co. Ltd. as the head of security in June 2010. Mr. Yam also joined Prime Intelligence Solutions Group Limited as a director in November 2015. Prime Intelligence Solutions Group Limited is a solution provider of biometrics identification systems in Hong Kong, Macau and the PRC.

Each of our Directors and senior management is independent from and not related to each other.

Save as disclosed above, each of our Directors confirms with respect to him that: (i) he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed in the section headed “Further information about Substantial Shareholders, Directors and experts – Disclosure of interests” in Appendix IV to this document, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for him pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

Shareholders’ dispute

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. Set out below are the details of the Court Proceedings:

Background

Immediately prior to 18 August 2000, Kingland Concrete was owned as to 97.5% by Kingland Holdings, as to 0.83% by Mr. Cheung, as to 0.83% by Mr. Chan and as to 0.83% by the Individual, while Kingland Holdings was owned by Mr. Cheung, Mr. Chan and the Individual in equal shares. As such, Kingland Concrete was ultimately owned by each of Mr. Cheung, Mr. Chan and the Individual in equal shares. Each of Mr. Cheung, Mr. Chan and the Individual was a director of Kingland Concrete and Kingland Holdings.

As confirmed by Mr. Cheung and Mr. Chan, back in mid 1999 the Individual had informed them about his plan to set up his own construction business. Since then, Mr. Cheung and Mr. Chan had discussed with the Individual about the potential conflict of interest which may arise if the Individual acted as directors in Kingland Concrete and Kingland Holdings (collectively, the “**Kingland Group**”), as well as in his own business at the same time, given that they would both be engaging in the construction industry.

DIRECTORS AND SENIOR MANAGEMENT

Therefore, after negotiations in mid 1999, it was agreed among the three individual shareholders that the Individual would subsequently cease to be directors of the Kingland Group, while he could still remain as a shareholder of the Kingland Group.

Pursuant to the then articles of association of Kingland Holdings, the quorum for each of the shareholders meeting and board meeting shall be a number of three. As discussed among the three individual shareholders, it was expected that, going forward, the Individual would devote most of his time and attention to his new business, and would not be much involved in the operation and management of the Kingland Group. Therefore, it may not be administratively convenient for all the three individual shareholders to meet up from time to time for the purpose of convening the shareholders meeting and/or board meeting of Kingland Group.

In view of the aforesaid, after thorough discussions, the three individual shareholders reached a consensus that Kingland Concrete would acquire equal portions of shares in Kingland Holdings, and become a corporate shareholder of Kingland Holdings through a cross-holding arrangement. In the event that any of the three individual shareholders was unable to attend the shareholders meeting and/or board meeting of Kingland Holdings, Kingland Concrete could exercise its right to attend so as to fulfil the quorum requirements. Under such cross-holding arrangement, the ultimate beneficial interests of three individual shareholders in the Kingland Group had remained unchanged, with each of them holding one-third of the ultimate shareholdings therein.

Based on the above, the effects of the cross-holding arrangement of the Kingland Group, as well as the Individuals' resignation from his directorships were: (i) to prevent the aforesaid conflict of interest between the Kingland Group and the Individual's new business; (ii) to enable the Individual to retain his role as a passive investor in the Kingland Group; and (iii) to ensure that the operation and management of the Kingland Group would be conducted in an efficient manner.

HCA 9433 of 2000

On 12 October 2000, the Individual commenced a civil action against, among others, Mr. Cheung, Mr. Chan, Kingland Concrete and Kingland Holdings. The Individual alleged, among other things, that during the board meeting and shareholders meeting of Kingland Holdings and Kingland Concrete held on 18 August 2000 (the "**18 August 2000 Meetings**"), resolutions were purportedly passed, and certain documents were executed to the effect that:

- (a) certain equal portions of the issued shares of Kingland Holdings held by each of Mr. Cheung, Mr. Chan and the Individual were transferred to Kingland Concrete, which would result in cross-holding of shares between the two companies;
- (b) Mr. Cheung and Mr. Chan were re-elected as directors of Kingland Holdings and Kingland Concrete;
- (c) Kingland Concrete was appointed as a director of Kingland Holdings with immediate effect; and

DIRECTORS AND SENIOR MANAGEMENT

- (d) the Individual ceased to be a director of Kingland Holdings and Kingland Concrete with immediate effect.

Based on the allegations, the Individual sought, among other things, a declaration that those documents executed at the 18 August 2000 Meetings be null and void and of no legal effect and ought to be set aside on various grounds.

As confirmed by Mr. Cheung and Mr. Chan, it was all along their consensus with the Individual that, for the best interests of the Kingland Group, the aforesaid cross-holding arrangement and the Individual's resignation as directors would be effected prior to the establishment of the Individual's own business by around late 2000. Further, the 18 August 2000 Meetings were convened, and the resolutions therein were signed and passed by Mr. Cheung, Mr. Chan and the Individual, in their respective capacities as shareholders or directors, with the Individual's consent and in the presence of an independent third party.

By a consent order dated 31 August 2004, the Individual, being the plaintiff, discontinued the aforesaid action against Mr. Cheung, Mr. Chan and others. As advised by the Hong Kong Legal Counsel, the above proceeding has no further effect on Kingland Concrete as at the Latest Practicable Date.

HCMP 5695 of 2001

On 24 October 2001, Mr. Cheung and Mr. Chan commenced a court application under the Predecessor Companies Ordinance for, among other things, that an extraordinary general meeting of Kingland Holdings be convened with a quorum of two.

On 25 January 2002, it was ordered by the court that, among other things, Kingland Holdings shall convene an extraordinary meeting with a quorum of two and to pass, among others, the following resolutions:

- (a) the resolutions passed at the 18 August 2000 Meetings be revoked; and
- (b) Mr. Cheung and Mr. Chan be re-elected as directors of Kingland Holdings; and
- (c) Kingland Concrete be appointed as director of Kingland Holdings.

As advised by the Hong Kong Legal Counsel, the above proceeding has no further effect on Kingland Concrete as at the Latest Practicable Date.

HCCW 1392 of 2001 and HCCW 1393 of 2001

On 24 December 2001, the Individual presented a winding-up petition to the court seeking an order, among other things, that: (a) Mr. Cheung and Mr. Chan be ordered to purchase the Individual's shares in both Kingland Concrete and Kingland Holdings; or (b) alternatively, Kingland Concrete and Kingland Holdings be wound-up.

DIRECTORS AND SENIOR MANAGEMENT

In around mid 2004, due to the increasing legal costs and adverse impact on the operation of the Kingland Group, Mr. Cheung and Mr. Chan had entered into negotiations with the Individual on the potential settlement of the Court Proceedings.

On 20 September 2004, upon consent by the Individual, Mr. Cheung, Mr. Chan, Kingland Concrete and Kingland Holdings, by way of consent orders (the "**Consent Orders**"), the court ordered that:

- (a) the winding-up petition against Kingland Concrete and Kingland Holdings be dismissed;
- (b) the portion of shares in Kingland Holdings purportedly transferred by the Individual to Kingland Concrete on 18 August 2000 be transferred back to him;
- (c) the Individual shall sell, and Mr. Cheung and Mr. Chan shall purchase, all of the Individuals' shares in Kingland Concrete and Kingland Holdings at prices to be fixed by a valuer to be jointly appointed by them.

Subsequently, after discussion among the parties regarding the Consent Orders, on 18 November 2014, Mr. Cheung, Mr. Chan, the Individual, Kingland Concrete and Kingland Holdings further entered into the Deed of Settlement which sets out, among other things, that:

- (a) all the Court Proceedings and any disputes incidental thereto shall be in full and final settlement; and
- (b) the Individual shall sell, and Mr. Cheung and Mr. Chan shall purchase, all of the Individuals' shares in Kingland Concrete and Kingland Holdings based on terms agreed among the parties after arm's length negotiations.

As advised by the Hong Kong Legal Counsel, the Deed of Settlement was legally valid, and had legally superseded the terms of the Consent Orders. Therefore, upon signing of the Deed of Settlement and the performance of the terms contained therein by the parties, the Consent Orders were no longer enforceable at Court by any of the parties thereto. Although Mr. Cheung, Mr. Chan and the Individual did not jointly appoint a valuer for fixing the price for the shares to be transferred, neither side is entitled to claim against each other for such failure to strictly follow the term of the Consent Orders as both sides had subsequently agreed to remove such requirement by way of the Deed of Settlement.

Further, the Hong Kong Legal Counsel does not foresee any grounds for the Court to interfere with the parties' decision not to strictly follow the Consent Orders, considering that (i) the Deed of Settlement was entered into and proceeded upon, without objections, by the same parties as the Consent Orders, and (ii) since the grant of the Consent Orders and up to the Latest Practicable Date, neither side has made any claim or taken any legal action against each other regarding the failure to strictly follow the Consent Orders.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the Deed of Settlement, on 21 November 2014, the Individual transferred all his shares in Kingland Concrete and Kingland Holdings equally to Mr. Cheung and Mr. Chan. For details of the share transfers, please refer to the section headed "History and Development – Excluded companies – Kingland Concrete" in this document.

SENIOR MANAGEMENT

The following table sets out the information regarding the senior management team of our Group:

| Name | Age | Date of joining our Group | Present position | Principal responsibilities |
|-----------------------------|-----|---------------------------|--|---|
| Mr. MAK Banna (麥賓雅) | 53 | July 1996 | chief technical officer | Overall operation of our concrete demolition business |
| Mr. CHEN Yeung Tak (陳仰德) | 32 | March 2015 | financial controller and company secretary | Overseeing our financial reporting, financial planning, treasury, financial control and company secretarial matters |
| Mr. YIP Wai Man (葉偉文) | 47 | January 1995 | sales manager | Overall operation of our marketing and customer relationship activities, and procurement of plant and machinery |
| Ms. TSU Fung Ling (徐鳳玲) | 49 | April 1994 (Note) | administrative manager | Overall administration of our business operations |
| Mr. TAI Cheuk Fung (戴卓峯) | 34 | February 2012 | foreman | Overall site operation |

Note: Ms. Tsu left in January 2005 and rejoined in September 2014.

Mr. MAK Banna (麥賓雅), aged 53, is the chief technical officer of our Group principally responsible for the overall operation of our concrete demolition business including tendering and work processing, quality control and work safety supervision. Mr. Mak first joined our Group in July 1996 as a project manager and was subsequently promoted to the current position in December 2012. Mr. Mak is also a director of Kingland (Sino) and Kingland Macau.

Mr. Mak has over 30 years of experience in the construction industry. Prior to joining our Group, he was employed, among others, by (i) Hsin Chong Construction Co., Ltd. from July 1985 to May 1988 with his last position as a contract coordinator; and (ii) Sun Fook Kong Construction Limited after he resigned from Hsin Chong Construction Co., Ltd. and up to February 1995 with his last position as a senior project manager.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Mak obtained a diploma in Building Studies from the Technical Education and Industrial Training Department Hong Kong in July 1982. He received a higher diploma in Building Technology and Management and an associateship in Building Technology and Management from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1984 and November 1985 respectively. He completed a course on Construction Safety conducted by the Industrial Safety Training Centre of the Labour Department, Hong Kong in November 1985. He also obtained a diploma in Construction Management from the Construction Industry Training Authority in October 1991. He completed the Lead Assessor Examination organised by BSI Quality Assurance in October 1992 and a master degree in Construction Management from the City University of Hong Kong in November 2001. He was awarded the certificate of Metal Scaffold Erecting and Dismantling Supervision Training Course from the Construction Industry Training Authority (currently known as the Construction Industry Training Board) in May 2004, and the certificate of an Introductory Course on Conservation of Built Heritage from the Construction Industry Council Training Academy in June 2008.

Mr. Mak has been a member of the Chartered Institute of Building since May 1995 and a member of the Hong Kong Institution of Engineers since June 1995. He was registered as a Registered Professional Engineer in September 1998.

Mr. CHEN Yeung Tak (陳仰德), aged 32, has joined our Group as a financial controller and company secretary since March 2015. He is mainly responsible for our financial reporting, financial planning, treasury, financial control and company secretarial matters.

Mr. Chen has over ten years of experience in auditing, accounting and financial management. Prior to joining our Group, Mr. Chen was employed, among others, by (i) Fung, Yu & Co. CPA Limited from July 2006 to December 2010 with his last position as an assistant manager; (ii) Deloitte Touche Tohmatsu as a senior auditor from January 2011 to October 2012; and (iii) PYI Corporation Limited (stock code: 0498), the issued shares of which are listed on the Main Board of the Stock Exchange, from February 2013 to February 2015 with his last position as an accounting manager.

Mr. Chen obtained a bachelor's degree in Accountancy (honours) from The Hong Kong Polytechnic University in December 2006. Mr. Chen has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

Mr. YIP Wai Man (葉偉文), aged 47, has joined our Group as a sales manager since January 1995. Mr. Yip is principally responsible for the overall operation of our marketing and customer relationship activities, and procurement of plant and machinery.

Mr. Yip has over 25 years of experience in the construction industry. Prior to joining our Group, he was employed, among others, by (i) Chen Hsong Foundry Co., Ltd. from August 1990 to September 1990 as a summer engineer trainee; (ii) Coleman Engineering Co (Hong Kong) Ltd from October 1991 to July 1993 as a sales engineer; and (iii) Mason S. & E. Co. Ltd. from October 1994 to December 1995 as a sales executive.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yip obtained a higher diploma in Mechanical Engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1991. He was awarded the certificate of completion of Metal Scaffold Erecting and Dismantling Supervision Training Course by the Construction Industry Training Authority in May 2004. He has also obtained the Construction Industry Safety Training Certificate from the Construction Industry Council in May 2013 and the Certificate of Certified Worker from the Hong Kong Human Resources Ltd. in January 2014.

Ms. TSU Fung Ling (徐鳳玲), aged 49, first joined our Group as an administrative manager in April 1994 and left in January 2005. She has rejoined our Group as consultant from September 2014 to November 2014 and became the administrative manager of our Group since December 2014. Ms. Tsu is principally responsible for the overall administration of our business operations.

Prior to joining us, Ms. Tsu was employed, among others, by (i) Argos Engineering & Heavy Industries Co., Ltd. from April 1988 to March 1993 as a senior accounts clerk; and (ii) the Dynasty Club Limited from April 1993 to April 1994 as a supervisor.

Ms. Tsu obtained the certificates of Higher Accounting and Third Level Cost Accounting from the London Chamber of Commerce and Industry Examinations Board in 1986 and 1990 respectively.

Mr. TAI Cheuk Fung (戴卓峯), aged 34, joined our Group as a foreman since February 2012. He is mainly responsible for overall site operation.

Prior to joining our Group, Mr. Tai was employed, among others, by Chong Shing Construction & Engineering Co., Ltd. as site foreman from August 2008 to February 2012. Mr. Tai obtained a diploma in Civil Engineering and a higher diploma in Civil Engineering from the Vocational Training Council in July 2003 and July 2010 respectively. He also completed a Construction Safety Supervisor Course held by the Construction Industry Training Authority (currently known as the Construction Industry Training Board) in July 2006.

Save as disclosed above, each of our member of senior management confirms with respect of him/her that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed in the section "Further information about Substantial Shareholders, Directors and experts – Disclosure of interests" in Appendix IV to this document, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; and (iv) there is no other information that should be disclosed for him/her pursuant to Rule 17.50(2) of the GEM Listing Rules.

COMPANY SECRETARY

Mr. Chen Yeung Tak is the company secretary of our Company. Details of his qualifications and experience are set out in the paragraph headed "Senior management" in this section.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Mr. Cheung Shek On was appointed as the compliance officer of our Company. Please refer to the paragraph headed “Directors and Senior Management – Directors” in this section for the profile of Mr. Cheung.

REMUNERATION POLICY

The executive Directors, the non-executive Director, the independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management 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 others, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After [REDACTED], the remuneration committee of our Company will review and determine the remuneration and compensation packages 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.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

The remunerations of our executive Directors for the Track Record Period are set out in the following table. During the Track Record Period, our independent non-executive Directors have not yet been appointed and have not received any directors’ remuneration in the capacity of independent non-executive Directors.

| | Fee <i>HK\$'000</i> | Salaries, allowances and benefits in kind <i>HK\$'000</i> | Discretionary bonuses <i>HK\$'000</i> | Retirement scheme contributions <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------------|------------------------|---|---|--|--------------------------|
| Year ended 31 December 2014 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Cheung | – | 1,062 | 100 | 17 | 1,179 |
| Mr. Chan | – | 707 | 100 | 17 | 824 |
| | – | 1,769 | 200 | 34 | 2,003 |

DIRECTORS AND SENIOR MANAGEMENT

| | Fee <i>HK\$'000</i> | Salaries, allowances and benefits in kind <i>HK\$'000</i> | Discretionary bonuses <i>HK\$'000</i> | Retirement scheme contributions <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------|------------------------|---|---|--|--------------------------|
| Year ended 31 | | | | | |
| December 2015 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Cheung | – | 1,075 | 100 | 18 | 1,193 |
| Mr. Chan | – | 600 | 100 | 18 | 718 |
| | <u>–</u> | <u>1,675</u> | <u>200</u> | <u>36</u> | <u>1,911</u> |

| | Fee <i>HK\$'000</i> | Salaries, allowances and benefits in kind <i>HK\$'000</i> | Discretionary bonuses <i>HK\$'000</i> | Retirement scheme contributions <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------|------------------------|---|---|--|--------------------------|
| Six months ended | | | | | |
| 30 June 2016 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Cheung | – | 607 | – | 9 | 616 |
| Mr. Chan | – | 369 | – | 9 | 378 |
| | <u>–</u> | <u>976</u> | <u>–</u> | <u>18</u> | <u>994</u> |

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.

Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

| | |
|-------------------------------|-------------|
| | <i>HK\$</i> |
| Executive Directors | |
| Mr. Cheung | 1,435,200 |
| Mr. Chan | 960,000 |
| | <i>HK\$</i> |
| Non-executive Director | |
| Mr. Kuan Hong Kin Daniel | 180,000 |

DIRECTORS AND SENIOR MANAGEMENT

HK\$

Independent non-executive Directors

| | |
|--------------------------|---------|
| Mr. Chan Ngai Sang Kenny | 216,000 |
| Mr. Chow Chun To | 216,000 |
| Mr. Yam Chiu Fan Joseph | 216,000 |

Of our Group's five highest paid individuals during the Track Record Period, two of them were our Directors whose emoluments are disclosed above. The emoluments in respect of the remaining three individuals during the Track Record Period are as follows:

| | Year ended 31 December 2014 HK\$'000 | Year ended 31 December 2015 HK\$'000 | Six months ended 30 June 2016 HK\$'000 |
|---------------------------------|---|---|--|
| Salaries and allowances | 2,297 | 2,505 | 1,274 |
| Discretionary bonuses | 343 | 300 | – |
| Retirement scheme contributions | 39 | 54 | 27 |
| | <u>2,679</u> | <u>2,859</u> | <u>1,301</u> |

The emoluments of each of the aforementioned three non-Director highest paid individuals were below HK\$1.5 million.

During the Track Record Period, no emoluments were paid by our Group to the above highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office as a director or management of any members of our Group.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 22 November 2016 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of our Company consists of three members, namely Mr. Chan Ngai Sang Kenny, Mr. Chow Chun To and Mr. Yam Chiu Fan Joseph. Mr. Chow Chun To serves as the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

Our Company established a remuneration committee on 22 November 2016 with its written terms of reference in compliance with paragraph B1.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our Directors and management.

The remuneration committee of our Company consists of three members, namely Mr. Cheung, Mr. Chan Ngai Sang Kenny and Mr. Chow Chun To. Mr. Chan Ngai Sang Kenny serves as the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 22 November 2016 with its written terms of reference paragraph A5.2 of the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management and succession planning for Directors in particular the chairman of the Board.

The nomination committee of our Company consists of three members, namely Mr. Cheung, Mr. Chan Ngai Sang Kenny and Mr. Chow Chun To. Mr. Cheung serves as the chairman of the nomination committee.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Ample Capital Limited as its compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) 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 Group deviate from any forecast, estimate, or other information in the [REDACTED] document; and
- (4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The term of appointment of the compliance adviser of our Company shall commence on the [REDACTED] Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the [REDACTED] Date and such appointment shall be subject to extension by mutual agreement.

EXTERNAL LEGAL ADVISERS

As part of our commitments to prevent non-compliance in our daily operations, our Company has engaged David Fong & Co. as its Hong Kong External Legal Adviser and Mr. Chio Tak Wo, Advogado as its Macau External Legal Adviser. The terms of engagement of the External Legal Advisers shall commence from the [REDACTED] Date up to the end of the second full financial year after the [REDACTED] Date, and such engagements shall be subject to extension by mutual agreement.

The major scope of engagements of our External Legal Advisers are summarised as follows:

- To provide legal advice on general compliance of the applicable Hong Kong and Macau laws, in particular on rules and regulations applicable to the construction industry in both places;
- Keep track of various licenses and certificates held by our Group, and provide written notice to our Board not less than two months prior to their respective expiry dates and advice on their renewal;
- Perform legal due diligence review on our Group and implement the various measures undertaken by each of the External Legal Advisers as set out in the paragraph headed "Directors – Our Group's internal procedures to prevent the occurrence of similar non-compliance" in this section;
- In the case of our Hong Kong External Legal Adviser, to (i) advise on compliance of the GEM Listing Rules requirements; (ii) review the quarterly report, interim report, annual report, circular and announcement to be issued by our Group; (iii) provide corporate secretarial and administrative services to the members of our Group in Hong Kong, including but not limited to advising on the deadlines and requirements of various statutory filings under the Companies Ordinance, Inland Revenue Ordinance and Mandatory Provident Fund Schemes Ordinance; and (iv) upon request of our Group, review its corporate documents such as minutes of shareholders or directors meeting and legal documents in relation to its ordinary course of business; and
- In the case of our Macau External Legal Adviser, to (i) assist and advise our Group on filing in respect of corporate, employment and taxation matters, and (ii) consult the relevant authorities in Macau on whether any claims or complaints are lodged against our Group in respect of corporate and labour matters.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT INTERNAL CONTROL ADVISER

In order to strengthen and monitor the effectiveness of our internal control system, our Company has engaged CT Partners as its independent internal control advisers. The terms of engagement of the independent internal control adviser shall commence from the [REDACTED] Date up to the end of the second full financial year after the [REDACTED] Date, and such engagement shall be subject to extension by mutual agreement.

The major scope of engagement of our independent internal control adviser are summarised as follows:

- To evaluate the various components of our internal control system under recognised framework, including control environment, risk assessment, control activities, information and communication and monitoring;
- To evaluate our internal control system by business cycle and key operations;
- To walk through our internal control system and perform test of control;
- To document its observations, identify the weaknesses of our existing internal control system, if any, and provide recommendations on the ways of improvement; and
- To implement the various measures of their parts as set out in the paragraph headed "Directors – Our Group's internal procedures to prevent the occurrence of similar non-compliance" in this section.

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 additional expense 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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 formerly secured by performance guarantee by Mr. Cheung and Mr. Chan which has been released on 19 August 2016. 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 guarantee given in respect of the tenancy for the Ground Floor Premises, Mr. Cheung has given performance guarantee in favour of the landlord as security for the due and punctual performance and observance of our Group's obligations under the tenancy between our Group and the landlord. If our Group fails to pay any sum payable by us to the landlord, Mr. Cheung will be required to pay that sum to the landlord on demand.

The performance guarantee given in respect of the tenancy for the Ground Floor Premises will be released before or upon [REDACTED] and/or replaced by our Company's corporate guarantee upon [REDACTED].

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 and the 30-months Lock-up Undertakings, he must inform our Company immediately thereafter, disclosing the details specified in rule 17.43(1) to (4) of the GEM Listing Rules; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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 Joint Bookrunners, the Joint Lead Managers and the Underwriters pursuant to the Underwriting Agreement. For further details, please refer to the section headed "Underwriting – 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)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 22 November 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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following 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), 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 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 any other members of our Group:

| Name | Capacity/Nature of interest | Number of Shares held/interested immediately following completion of the [REDACTED] and the [REDACTED] ^(Note 1) | Approximate percentage of shareholding in our Company immediately following completion of the [REDACTED] and the [REDACTED] |
|--|------------------------------------|--|---|
| Sino Continent | Beneficial owner | [REDACTED] ^{(L)(Note 8)} | [REDACTED] |
| Supreme Voyage | Beneficial owner | [REDACTED] ^{(L)(Note 8)} | [REDACTED] |
| Applewood Developments | Beneficial owner | [REDACTED] ^(L) | [REDACTED] |
| Mr. Cheung | Interest in controlled corporation | [REDACTED] ^{(L)(Notes 2&8)} | [REDACTED] |
| Mr. Chan | Interest in controlled corporation | [REDACTED] ^{(L)(Notes 3&8)} | [REDACTED] |
| Mr. Kwok | Interest in controlled corporation | [REDACTED] ^{(L)(Notes 4&8)} | [REDACTED] |
| Ms. Luk Pui Kei Peggy ^(Note 5) | Interest of spouse | [REDACTED] ^(L) | [REDACTED] |
| Ms. Cho Bik Nung ^(Note 6) | Interest of spouse | [REDACTED] ^(L) | [REDACTED] |
| Ms. Yip Nga Wan ^(Note 7) | Interest of spouse | [REDACTED] ^(L) | [REDACTED] |

Notes:

1. The letter "L" denotes the entity's long position in the Shares.
2. Sino Continent is wholly and beneficially owned by Mr. Cheung. As such, Mr. Cheung is deemed under the SFO to be interested in all the Shares held by Sino Continent upon the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

3. Supreme Voyage is wholly and beneficially owned by Mr. Chan. As such, Mr. Chan is deemed under the SFO to be interested in all the Shares held by Supreme Voyage upon the [REDACTED].
4. Applewood is wholly and beneficially owned by Mr. Kwok. As such, Mr. Kwok is deemed under the SFO to be interested in all the Shares held by Applewood Developments upon the [REDACTED].
5. Ms. Luk Pui Kei Peggy, the spouse of Mr. Cheung, is deemed under the SFO to be interested in all the Shares in which Mr. Cheung is deemed to be interested upon the [REDACTED].
6. Ms. Cho Bik Nung, the spouse of Mr. Chan, is deemed under the SFO to be interested in all the Shares in which Mr. Chan is deemed to be interested upon the [REDACTED].
7. Ms. Yip Nga Wan, the spouse of Mr. Kwok, is deemed under the SFO to be interested in all the Shares in which Mr. Kwok is deemed to be interested upon the [REDACTED].
8. 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.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the [REDACTED] and the [REDACTED] will be as follows:

HK\$

Authorised share capital

| | |
|-----------------------------|-------------------|
| <u>1,000,000,000</u> Shares | <u>10,000,000</u> |
|-----------------------------|-------------------|

Shares in issue or to be issued, fully paid or credited as fully paid:

| | |
|--|-------------------|
| 1,000 Shares in issue at the date of this document | 10 |
| <u>[REDACTED]</u> Shares to be issued pursuant to the [REDACTED] | <u>[REDACTED]</u> |
| <u>[REDACTED]</u> Shares to be issued pursuant to the [REDACTED] | <u>[REDACTED]</u> |
| <u>[REDACTED]</u> Total | <u>[REDACTED]</u> |

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public. The [REDACTED] [REDACTED] Shares represent [REDACTED]% of the issued share capital of the Company upon [REDACTED].

RANKING

The [REDACTED] Shares will rank pari passu in all respects with all our 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 our Shares in respect of a record date which falls after the date of [REDACTED] other than participation in the [REDACTED].

[REDACTED]

Pursuant to the resolutions of our Shareholders passed on 22 November 2016, subject to the share premium account of our Company being credited as a result of 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 of our Company at the close of business on 22 November 2016 (or as they may direct) in proportion to their 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 this resolution shall rank pari passu in all respects with the existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the 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 Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed "General mandate to repurchase shares" in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of 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 Memorandum and the Articles or the Companies Law or any other 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, please refer to the paragraph headed "Further information about our Company – Written resolutions of our Shareholders passed on 22 November 2016" in Appendix IV to this document.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the GEM, or on any other stock exchange on which our Shares may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose, and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed "A. Further information about our Company – Repurchase of our Shares by our Company" in Appendix IV to this document.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other 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, please refer to the section headed "A. Further information about our Company – Repurchase of our Shares by our Company" in Appendix IV to this document.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed "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.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this document.

FINANCIAL INFORMATION

You should read this section in conjunction with the Group's audited combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this document. The Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. 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 the Group in light of the Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depend on a number of risks and uncertainties over which the Group does not have control. For further information, see the section headed "Risk factors" in this document.

OVERVIEW

We are principally engaged in the provision of concrete demolition services in Hong Kong and Macau mainly as subcontractor. During the Track Record Period, our revenue was mainly derived from undertaking concrete demolition works. Our customers primarily include contractors in various types of construction and civil engineering projects in Hong Kong and construction projects in Macau.

During the Track Record Period, suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors; (ii) suppliers of machinery; (iii) suppliers of consumables such as saw blades, cutting wires and core bits required for performing concrete demolition works as well as machinery parts for our in-house repair and maintenance; and (iv) suppliers of other miscellaneous services such as the transportation of machinery and the rental of machinery such as electricity generators for powering other machinery as well as loaders, excavators, forklifts and crane lorries for the lifting and moving of cut-out sections of concrete and other demolition debris and materials.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, respectively, we undertook 160, 232, 130 and 86 jobs in Hong Kong and Macau. For further information about our Group's business and operations, please refer to the section headed "Business" of this document.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

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 that 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.

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.

Subsequent to 30 June 2016, in November 2016, interim dividends of approximately HK\$8.9 million were declared.

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.

FINANCIAL INFORMATION

SUMMARY RESULTS OF OPERATIONS

The following table sets out a summary of the audited financial results of our Group for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016. For more detailed information, please refer to the Accountants' Report in Appendix I to this document.

Combined statements of profit or loss and other comprehensive income

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|---|--|--|---|--|
| Revenue | 117,129 | 120,072 | 51,127 | 60,744 |
| Cost of sales | <u>(84,842)</u> | <u>(82,006)</u> | <u>(34,489)</u> | <u>(43,035)</u> |
| Gross profit | 32,287 | 38,066 | 16,638 | 17,709 |
| Other income | 262 | 87 | 77 | 705 |
| Administrative and other operating expenses | <u>(19,707)</u> | <u>(19,999)</u> | <u>(8,183)</u> | <u>(14,892)</u> |
| Operating profit | 12,842 | 18,154 | 8,532 | 3,522 |
| Finance costs | <u>(366)</u> | <u>(479)</u> | <u>(337)</u> | <u>(148)</u> |
| Profit before income tax | 12,476 | 17,675 | 8,195 | 3,374 |
| Income tax expense | <u>(2,200)</u> | <u>(3,478)</u> | <u>(1,251)</u> | <u>(1,337)</u> |
| Profit and total comprehensive income for the year/period attributable to owners of the Company | <u>10,276</u> | <u>14,197</u> | <u>6,944</u> | <u>2,037</u> |
| Attributable to: | | | | |
| Owners of the Company | 9,129 | 14,197 | 6,944 | 2,037 |
| Non-controlling interests | <u>1,147</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| | <u>10,276</u> | <u>14,197</u> | <u>6,944</u> | <u>2,037</u> |
| Basic and diluted earnings per share | <u>HK cents 1.81</u> | <u>HK cents 2.82</u> | <u>HK cents 1.38</u> | <u>HK cents 0.40</u> |

FINANCIAL INFORMATION

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the laws of the Cayman Islands on 5 January 2015. Through a corporate reorganisation as further explained in the section headed “History and development – Our Group structure” to this document (the “**Reorganisation**”), our Company became the holding company of the subsidiaries now comprising our Group on 22 November 2016. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period.

The principal activities of the Group are the provision of concrete demolition services in Hong Kong (“**HK Concrete Demolition Business**”) and Macau mainly as subcontractor. The Group formerly carried out the HK Concrete Demolition Business through Kingland Concrete, a limited liability company incorporated in Hong Kong which is controlled by Mr. Chan and Mr. Cheung (collectively, the “**Controlling Parties**”). Other than the HK Concrete Demolition Business, Kingland Concrete also holds the interest in 42% of the issued capital of Shanghai Longxin. As part of the Reorganisation, on 26 January 2015, the Business Transfer Agreement was entered into between Kingland Concrete and Kingland (Sino), pursuant to which Kingland Concrete agreed to transfer its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino) (the “**Transfer of Business**”). As the predecessor and successor companies carry out the HK Concrete Demolition Business have been under common control by the Controlling Parties throughout the Track Record Period or since their respective date of incorporation where it is a shorter period, the financial information of the Group during the Track Record Period has been prepared to present the financial position and operating results of the HK Concrete Demolition Business throughout the Track Record Period as a continuation of existing business from the perspective of the Controlling Parties.

The combined statements of financial position as at 31 December 2014 and 2015 and as at 30 June 2016, present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates. The combined financial statements, which are presented in Hong Kong dollars, have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), the disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinances. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

FINANCIAL INFORMATION

PRINCIPAL FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE GROUP

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this document.

Market demand

Our results of operations are directly affected by our revenue which depends on the market demand for our concrete demolition services. The market demand for different concrete demolition techniques and different types of machinery or equipment may change continuously. If the number of private and/or public sector projects in Hong Kong and Macau decreases significantly, the availability of concrete demolition jobs may decrease and our businesses in general and our results of operations may be adversely and materially affected. During the Track Record Period, our revenue was significantly influenced by the size and number of concrete demolition projects undertaken by us.

In addition, concrete demolition projects are one-off projects which are not recurrent in nature. There is no guarantee that our customers will provide us with new contracts or that we will secure new customers.

Pricing of our concrete demolition services

We generally set our tender and/or quotation price based on our estimated costs to be incurred plus a certain mark-up margin. We estimate our cost of undertaking a concrete demolition job by reference to various factors including but not limited to (i) the estimated number and types of workers required; (ii) the difficulties of the works involved; (iii) the demolition methods and techniques expected to be applied; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) the need for subcontracting; (viii) the overall cost in undertaking the job; (ix) the past prices offered to the customer; and (x) the prevailing market conditions. While it is our objective to charge a reasonable price to maximise our Shareholders' value, offering a less competitive price than our competitors may render our quotation unsuccessful. Offering a price below the actual cost may on the other hand erode or eliminate our gross profit and affect our financial results. Failure to balance the various factors in determining price will adversely affect our financial performance and results of operation.

Unexpected fluctuation in contract costs

We secured new businesses mainly through direct invitation for quotation or tender by customers. We generally prepare our tenders and/or quotations based on our estimated costs to be incurred plus a certain mark-up margin. The main components of our estimated project costs are direct labour costs and subcontracting charges. We purchase materials from our suppliers, such as consumables such as saw blades, cutting wires and core bits as well as machinery parts which are in turn dependent on the prices of the underlying commodities such as steel reinforcements. In addition, we also engage subcontractors to carry out the site

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works delegated by us. The costs of sales may deviate from our estimation. There may be fluctuations in the contract costs during the actual implementation of the project. In the event that the contract costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

Listing Expenses

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] 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 years 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Details of the principal accounting policies applied in the preparation of our financial information are set out in the Accountants' Report contained in Appendix I to this document.

The preparation of our financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise judgement in the process of applying the accounting policies of our Group. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following paragraph summarise the critical accounting policies and estimated applied in the preparation of our Group's financial information during the Track Record Period.

Revenue recognition

Our revenue is principally derived from fees for the provision of our concrete demolition services. Our revenue is recognized based on the stage of completion of jobs, provided that the stage of job completion and the gross billing value of the job can be measured reliably. We recognise our revenue during the Track Record Period based on the stage of completion when the relevant work performed can be measured reliably as evidenced by (i) receiving payment certificates from our customers; or (ii) issuing invoices to customers for which the relevant jobs have been completed. The stage of completion of a contract is established by reference to the percentage of work performed to date as evidenced by the payment certificate if the job has not been completed within the relevant

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reporting period. Variation orders are included in our Group's contract revenue when (i) it is probable that our customer will approve the variation orders and the amount of revenue arising from the variation orders; and (ii) the amount of revenue can be reliably measured.

Construction contracts in progress

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. The main components of our estimated project costs are direct labour costs and subcontracting charges. We purchase materials from our suppliers, such as consumables such as saw blades, cutting wires and core bits as well as machinery parts which are in turn dependent on the prices of the underlying commodities such as steel reinforcements. In addition, we also engage subcontractors to carry out the site works delegated by us.

Our Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. Our Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Property, plant and equipment

The property, plant and equipment of our Group are stated at historical (including expenditure that is directly attributable to the acquisition of such items) cost less accumulated depreciation and accumulated impairment losses.

Our Group has investments in property, plant and equipment. We are required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

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 our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

During the Track Record Period, our depreciation on property, plant and equipment was calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|------------------------|-----|
| Plant and machinery | 25% |
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Motor vehicles | 20% |

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Our assets' residual values and useful lives were reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statement of profit or loss and other comprehensive income.

Based on the accounting policies adopted by our Group, depreciation on machineries and equipment is calculated using the straight-lined method.

Depreciation on plant and machinery is calculated using the straight-line method at a rate of 25% to allocate their cost to their residual values over their estimated useful lives. We estimate the useful lives of plant and machinery in order to ascertain the amount of depreciation charges for each reporting period. Effects of subsequent repairs and maintenance on the plant and machinery and the probable future economic benefits associated with subsequent repairs and maintenance including those resulting from the possible enhancement of the useful period of the plant and machinery are impracticable to be measured upon reliably. Subsequent repairs and maintenance costs in respect of plant and machinery are thus charged to profit or loss during the financial period in which they are incurred and are not capitalised or included in the plant and machinery's carrying amount or otherwise recognised as assets to be depreciated. Subsequent repairs and maintenance costs and their associated effects including the possible enhancement of the useful period of the plant and machinery are therefore not taken in account when estimating the useful lives of plant and machinery for the purpose of determining the appropriate rate of depreciation of the initial purchase cost of the plant and machinery. Therefore, we applied such policy consistently throughout the Track Record Period notwithstanding that certain plant and machinery may remain useful after four years due to subsequent repairs and maintenance.

We perform annual reviews on the estimated useful lives of plant and machinery at the end of each reporting period based on the aforesaid policy.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. Our Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. Our Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of trade receivables

Our management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of our customers and the current market condition. Our management reassesses the provision at each statement of financial position date.

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No impairment of trade receivable was made during the Track Record Period. Although some customers showed slower repayment, the Group has reviewed the payment history of the long-aged receivables. As no evidence of impairment of trade receivable has occurred, the Directors consider that no impairment is necessary.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, our management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease.

Our Group purchased certain machinery and motor vehicles through finance leases. Under the finance leases, our creditors purchased certain machineries and motor vehicles from the suppliers and leased back those machineries and motor vehicles to our Group at stipulated monthly rents in a fixed term. Under these finance leases, we were given options to purchase those machinery and motor vehicles at a nominal amount at the end of the lease term. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machinery and motor vehicles to our Group as the lessee, the relevant machinery and motor vehicles were accounted for as our Group's assets under the category of property, plant and equipment.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of our Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

The Group had no significant contingent liabilities at the end of each of 31 December 2014, 2015 and 30 June 2016.

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Income tax

The tax expense during the Track Record Period comprised current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Our Group is subject to income tax in Hong Kong and Macau where we operate and generate taxable income during the Track Record Period. Hong Kong profits tax has been provided at the rate of 16.5% and Macau profits tax has been provided at the rate of 12% for the Track Record Period on the estimated assessable profit arising in or derived from the jurisdictions in which the entities operate for the year. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

During the Track Record Period, deferred income tax was recognised using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the financial information of our Group. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets of our Group are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Description of selected items of the Group's profit or loss and the comparison of results of operation for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016.

Revenue

Revenue represents contract revenue recognised from the provision of concrete demolition services to our customers in Hong Kong and Macau, amounted to approximately HK\$117.1 million, HK\$120.1 million, HK\$51.1 million, and HK\$60.7 million for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016

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respectively. According to the Hong Kong Accounting Standard 11 ("HKAS 11") issued by the HKICPA, when the outcome of a construction contract can be estimated reliably, contract revenue and contract cost associated with the construction contract shall be recognised as revenue by reference to the stage of completion of the contract activity at the end of the reporting period. We recognise our revenue during the Track Record Period based on the stage of completion if the recognition criteria as set out in HKSA 11 are met. The stage of completion of a contract is established by reference to the percentage of work performed to date as evidenced by the payment certificate if the job has not been completed within the relevant reporting period. We recognise revenue when there is sufficient evidence to show that the relevant job (usually short-term job) has been completed within the same reporting period or the percentage of work performed to date of the relevant job as evidenced by the payment certificate.

Revenue from provision of concrete demolition services is recognised based on the stage of completion of the jobs, provided that the stage of jobs completion and the gross billing value of the jobs can be measured reliably. Progress billing is made according to the stage of job completion by reference to the work done as reviewed and approved by the customers. Generally, the stage of completion of a contract is established by reference to the percentage of work performed to date as evidenced by the payment certificate. Upon issuance of such certificates, the progress revenue is billed to customers and then become payable by customers, and the progress revenue is accounted for as contract receivables.

Depending on the nature and scale of the work, and terms of the contracts with customers, some customers may not issue a payment certificate to the Group after the relevant work has been completed by the Group. Accordingly, the Group recognises revenue based on invoice issued to the customers when the work has been completed.

Regarding the jobs the Group recognised revenue based on "invoice", the Group has satisfied itself that the relevant jobs have been completed by obtaining a job sheet or a completion memo. A job sheet is prepared by the Group stating the description of work, the commencement date and the completion date, signed by the customers to confirm the (work/job/ relevant stage of job) has been completed. Where a job sheet counter-signed by the customer is not available, the Group will prepare the completion memo which is signed by our on-site foreman or project manager of the Group after performing on-site checking to confirm the completion of the job. The Group issues invoice upon receipt of such job sheet or completion memo.

Payment certificates issued by our customers do not necessarily cover period exactly up to the reporting dates. In case the payment certificate for an on-going job covers two consecutive reporting periods, it is our practice that we will fully recognise the revenue in a particular reporting period according to the payment certificate if the payment certificates fall substantially within that reporting period. To quantify if there is any material cut-off adjustment arising from those payment certificates which cover two consecutive reporting dates (the "**Cut-off Payment Certificates**"), we assess the amount of potential adjustment. We quantify such potential adjustment by apportioning the revenue to be recognised in a particular reporting period based on number of days in the corresponding reporting period as specified in the Cut-off Payment Certificates. Base on such quantification method, we quantify that the potential adjustment to the revenue recognised is not material.

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The following table sets forth a breakdown of our major projects carried out by our Group during the Track Record Period:

| Job | Location | Year ended | | Six months | Accumulated | Status as at |
|-----|-----------|-------------|-------------|---------------|--------------|--------------|
| | | 31 December | 31 December | ended 30 June | revenue | |
| | | 2014 | 2015 | 2016 | during the | 30 June 2016 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | Track Record | |
| | | | | | Period | |
| | | | | | HK\$'000 | |
| C1 | Macau | 53,400 | 7,209 | – | 60,609 | completed |
| C2 | Hong Kong | 33,658 | 3,831 | 701 | 38,190 | in progress |
| C3 | Hong Kong | 3,497 | – | – | 3,497 | completed |
| C4 | Hong Kong | 3,440 | – | – | 3,440 | completed |
| C5 | Hong Kong | 3,000 | – | – | 3,000 | completed |
| C6 | Hong Kong | – | 21,689 | 1,200 | 22,889 | completed |
| C7 | Hong Kong | – | 10,094 | 1,920 | 12,014 | completed |
| C8 | Hong Kong | – | 7,502 | – | 7,502 | completed |
| C9 | Hong Kong | – | 6,124 | 5,051 | 11,175 | completed |
| C10 | Hong Kong | – | 2,414 | 12,572 | 14,986 | in progress |
| C11 | Hong Kong | – | – | 4,452 | 4,452 | in progress |
| C13 | Hong Kong | – | 1,366 | 13,529 | 14,895 | in progress |
| C14 | Hong Kong | – | – | 2,108 | 2,108 | completed |
| C15 | Hong Kong | – | – | 3,049 | 3,049 | in progress |

Variation orders are instructions given by the customer for a change in the scope of the work to be performed under the contract. Variation orders may lead to an increase or a decrease in contract revenue. Variation orders are included in our Group's contract revenue when (i) it is probable that our customer will approve the variation orders and the amount of revenue arising from the variation orders; and (ii) the amount of revenue can be reliably measured. During the Track Record Period we did not receive any variation order which led to the decrease in recognised revenue or certified/billed amount, and our Group's revenue was not reduced due to any variation order. The total amount of revenue recognised arising from variation order in 2014 and 2015 and the six months ended 30 June 2016 is approximately HK\$5.1 million, HK\$11.1 million, and HK\$2.5 million representing 4.3%, 9.3%, and 4.1% of the total revenue of the Group respectively.

The Group (as contractor) and a customer may agree variations or claims that increase or decrease contract revenue in a period subsequent to that in which the contract was initially agreed. A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. Examples of variations are changes in the specifications or design of the asset and changes in the duration of the contract.

There were no revenue for the Track Record Period and contract receivables as at 31 December 2014 and 2015 and 30 June 2016 (including those arising from variation orders) which were recognised by the Group but pending certificate by the customers (where applicable).

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Geographical Markets

During the Track Record Period, we were engaged in the provision of concrete demolition services in Hong Kong and Macau. The following table sets forth our revenue by geographical market for the periods indicated:

| | Year ended | | Six months ended | |
|------------------------------------|--------------------|-----------------|-------------------------|-----------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | | | |
| Revenue (by location of customers) | | | | |
| Hong Kong | 61,344 | 108,432 | 40,685 | 56,243 |
| Macau | <u>55,785</u> | <u>11,640</u> | <u>10,442</u> | <u>4,501</u> |
| | <u>117,129</u> | <u>120,072</u> | <u>51,127</u> | <u>60,744</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 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 customer 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 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 due to 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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Cost of sales

Cost of sales of our Group for the periods indicated consisted (i) depreciation of owned assets; (ii) depreciation of assets under finance lease; (iii) fuel and oil; (iv) machinery rental cost; (v) motor vehicles expense; (vi) repairs and maintenance; (vii) materials and consumables; (viii) staff costs; (ix) subcontracting charges; (x) transportation; and (xi) other expenses.

The following table sets forth a breakdown of our cost of sales for the periods indicated:

| | Year ended | | Six months ended | |
|---------------------------|--------------------|-----------------|------------------|-----------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | | | |
| Cost of sales | | | | |
| Depreciation | 920 | 881 | 393 | 581 |
| Fuel and oil | 1,024 | 491 | 165 | 345 |
| Machinery rental cost | 4,847 | 8,126 | 1,725 | 2,942 |
| Motor vehicles expense | 597 | 682 | 281 | 335 |
| Repairs and maintenance | 314 | 329 | 235 | 102 |
| Materials and consumables | 19,640 | 14,581 | 8,190 | 7,740 |
| Staff costs | 24,200 | 20,150 | 9,210 | 12,246 |
| Subcontracting charges | 27,426 | 27,576 | 12,177 | 15,497 |
| Transportation | 5,229 | 8,362 | 1,914 | 2,761 |
| Other direct costs | 645 | 828 | 199 | 486 |
| | <u>84,842</u> | <u>82,006</u> | <u>34,489</u> | <u>43,035</u> |

Our cost of sales amounted to approximately HK\$84.8 million and HK\$82.0 million for each of the two years ended 31 December 2014 and 2015 respectively, representing a slight decrease of approximately 3.3%. Such decrease was primarily due to the decrease of costs from materials and consumables and staff costs.

Our cost of sales amounted to approximately HK\$34.5 million and approximately HK\$43.0 million for the six months ended 30 June 2015 and 2016 respectively, representing an increase of approximately 24.8%. Such increase was primarily due to the increase in cost from transportation, staff costs and subcontracting charges.

Materials and consumables, which include costs for purchasing tools such as saw blades and cutting wires, and costs of purchasing remote controlled demolition robots. The cost of materials and consumables decreased by approximately 25.8% from approximately HK\$19.6 million for the year ended 31 December 2014 to HK\$14.6 million for the year ended 31 December 2015. Such decrease was primarily due to (i) job C1, being the largest job in 2014, 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) as sawing was the major

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concrete demolition method applied in job C1, relatively more wire saw cut machines (which requires a large amount of materials and consumables) were used. For the year ended 31 December 2014, a remote controlled demolition robot of approximately HK\$0.8 million was purchased in March 2014 and was subsequently sold it to a customer group, which is an independent third party, at approximately HK\$1.03 million in the same month. The purchase cost of such remote controlled demolition robot was not capitalised in the property, plant and equipment and was expensed out in the profit or loss and included in the cost of sales for the year ended 31 December 2014. The cost of materials and consumables decreased by approximately 5.5% from approximately HK\$8.2 million for the six months ended 30 June 2015 to approximately HK\$7.7 million for the six months ended 30 June 2016. Such decrease was primarily due to the decrease in costs for raw materials and consumables in Macau as job C1 was completed in 2015.

Machinery rental cost represent the cost incurred for hiring machineries such as loaders, excavators, forklifts, crawler cranes and crane lorries for the lifting and moving of cut-out sections of concrete and other demolition debris and materials when we do not possess the necessary machinery for relevant site conditions. Machinery rental cost of our Group has increased by approximately 67.7% for the year ended 31 December 2015 as compared to 2014. Although, during the year ended 31 December 2014 the Group incurred a machinery rental cost of approximately HK\$2.5 million for the rental of a crawler crane for job C1, during the year ended 31 December 2015, we hired additional machineries for two of our five largest jobs. Machinery rental cost of our Group has increased by approximately 70.6% for the six months ended 30 June 2016 as compared to that in 2015 due to the increase in number of machineries hired and increase in machineries rental price.

Motor vehicles expenses represent the fee related to the maintenance cost of our motor vehicles. Repairs and maintenance represent costs for purchasing machinery parts and components for our in-house mechanics to perform repair and maintenance works of machinery.

Staff costs represent compensations and benefits given to our staff in our different project teams, which have reduced by 16.7% from approximately HK\$24.2 million to HK\$20.2 million for the year ended 31 December 2015 as compared to 2014. Such decrease was due to our involvement in job C1 in Macau in the year of 2014; which we incurred staff costs, including accommodations and allowances, for our workers to work in Macau. In the year of 2015, we were involved in less jobs in Macau in terms of revenue generated and the number of jobs. Staff cost has increased by approximately 33.0% from approximately HK\$9.2 million for the six months ended 30 June 2015 to approximately HK\$12.2 million for the six months ended 30 June 2016 represented by the increase in salaries and allowances due to the increase in number of staff. Our number of staff increased from 80 to 97 as at 30 June 2015 and 2016 respectively due to increase in scale of jobs.

Subcontracting charges are the direct costs for engaging subcontractors to perform part of our concrete demolition jobs based on the availability of our labour resources and the opportunity cost of performing the work by our own. Our subcontracting charges has increased slightly, being 0.5%, from approximately HK\$27.4 million to HK\$27.6 million from the year ended 31 December 2014 as compared to the year ended 31 December 2015, which was in line with our increased number of jobs during these periods.

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Our subcontracting charges has increased, being 27.3%, from approximately HK\$12.2 million to HK\$15.5 million from the six months ended 30 June 2015 as compared to the six months ended 30 June 2016. The increase in subcontracting charges for the six months ended 30 June 2016 was mainly due to the highly compressed timetable for the remaining expansion works at Admiralty Station which involves job C13.

Transportation represent fees of delivering our machineries to our work sites, and disposal expenses of unwanted materials resulting from our concrete demolition services to the landfills. The fee has increased by approximately 59.9% from approximately HK\$5.2 million to HK\$8.4 million for the year end 31 December 2015 as compared to the preceding year. The increase is mainly because of the number of jobs (with revenue contribution to us during the year) increased from 160 jobs in 2014 to 232 jobs in 2015. The fee has increased from approximately HK\$1.9 million for the six months ended 30 June 2015 to HK\$2.8 million for the six months ended 30 June 2016 mainly due to the nature of jobs in the six months ended 30 June 2016 requires more transportation costs as compared to the six months ended 30 June 2015.

Charge-back arrangement with our customers

During the Track Record Period, we had charge-back arrangement with some of our customers. Such charge-back consisted of the purchase cost of construction materials ordered by our customer, rental cost of machinery and equipment and other miscellaneous expenses in the construction sites. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the total charge-back to our customers amounted to approximately HK\$1.3 million, approximately HK\$7.3 million and approximately HK\$0.1 million respectively.

Upon our request, we may purchase construction materials from our customers and/or the main contractors. Such purchase cost of construction materials are settled by way of charge-back to the account with such customer and/or main contractor. The payments due to us from our customer and/or the main contractor will be settled after netting off such purchase cost of construction materials. Even though we may receive payment from our customers on a net basis, we recognise the respective revenue and cost separately (i.e. on a gross basis) in our combined financial statements and account for such revenue and costs under the HKAS 11 "Construction Contracts" and HKAS 18 "Revenue". The Reporting Accountants is of the view that the accounting treatment adopted by the Group for the revenue and costs from such charge-back arrangements is in compliance with the HKAS 11 "Construction contracts" and HKAS 18 "Revenue".

Our Directors confirm that the aforesaid charge-back arrangement is in the interest of our Group and our customers as it allows our customers to have a better quality control over the materials employed by us in the course of performing the jobs, and that such arrangement is in line with the general industry practice.

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For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, such charge-back to our top five customers during the Track Record Period amounted to approximately HK\$1.1 million, HK\$5.6 million and HK\$0.1 million, respectively, representing approximately 90.9%, 76.8% and 88.0% of our total charge-back for the same periods, respectively.

Gross profit and gross profit margin

Gross profit is equal to revenue less cost of sales, whereas, gross profit margin is calculated as gross profit divided by revenue during the relevant periods.

The following tables set forth our gross profit and gross profit margin by location for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016:

| | Year ended 31 December | | | | Six months ended 30 June | | | |
|---------------|------------------------|---------------------|---------------|---------------------|--------------------------|---------------------|---------------|---------------------|
| | 2014 | | 2015 | | 2015 | | 2016 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | (Unaudited) | | | |
| | (HK\$000) | (%) | (HK\$000) | (%) | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | | | | | (HK\$000) | (%) | (HK\$000) | (%) |
| Hong Kong | 20,030 | 32.7 | 32,700 | 30.2 | 12,162 | 29.9 | 16,784 | 29.8 |
| Macau | <u>12,257</u> | 22.0 | <u>5,366</u> | 46.1 | <u>4,476</u> | 42.9 | <u>925</u> | 20.6 |
| Total/overall | <u>32,287</u> | 27.6 | <u>38,066</u> | 31.7 | <u>16,638</u> | 32.5 | <u>17,709</u> | 29.2 |

The gross profit for our Group was approximately HK\$32.3 million and HK\$38.1 million for each of two years ended 31 December 2014 and 2015 respectively, while the gross profit margin for our Group increased from approximately 27.6% for the year ended 31 December 2014 to 31.7% for the year ended 31 December 2015. As job C1 was substantially finished in July 2014 (meaning that over 80% of the total job C1 revenue has been recognized) and we did not involve in any other sizable job in Macau that was comparable to job C1 in terms of revenue generated, the increase of overall gross profit margin between the year ended 31 December 2014 and 2015 was mainly because

- (i) during the year ended 31 December 2014 the Group incurred a machinery rental cost of approximately HK\$2.5 million in Macau for the rental of a crawler crane for job C1 as compared to approximately HK\$4,000 in machinery rental cost in Macau for the year ended 31 December 2015;
- (ii) we incurred more materials and consumables in 2014 due to our involvement in job C1 in Macau.
- (iii) we incurred significantly less subcontracting charges in Macau of approximately HK\$2.4 million for the year ended 31 December 2015 as compared to HK\$20.8 million the previous year, representing a decrease of approximately 88.5%; and

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- (iv) we incurred additional staff cost in Macau for the year ended 31 December 2014, as compared to our other jobs in Hong Kong, for our Hong Kong workers to temporarily stay in Macau and work for job C1 in Macau in year of 2014.

The gross profit for our Group was approximately HK\$16.6 million and HK\$17.7 million for each of the six months ended 30 June 2015 and 2016 respectively, while the gross profit margin for our Group decreased from approximately 32.5% for the six months ended 30 June 2015 to approximately 29.2% for the six months ended 30 June 2016. The decrease of overall gross profit margin between the six months ended 30 June 2015 and 2016 was mainly because

- (i) increase in staff cost from approximately HK\$9.2 million for the six months ended 30 June 2015 to HK\$12.2 million for the six months ended 30 June 2016 mainly represented by the increase in salaries and allowances due to the increase in number of staff from 80 to 97; and
- (ii) increase in subcontracting charges from approximately HK\$12.2 million for the six months ended 30 June 2015 to approximately HK\$15.5 million for the six months ended 30 June 2016 due to the highly compressed timetable for the remaining expansion works at Admiralty Station which involves job C13 for the six months ended 30 June 2016.

Our Group's gross profit margin was slightly higher 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 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.

Other income

Our other income amounted to approximately HK\$262,000, HK\$87,000, HK\$77,000 and HK\$705,000 for each of the two years ended 31 December 2014 and 31 December 2015 and the six months ended 30 June 2015 and 30 June 2016, respectively.

The table below sets forth a breakdown of our other income and net gains by nature for the periods indicated:

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| | Year ended | | Six months ended | |
|--|-------------------|------------------|------------------|-------------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other income | | | | |
| Sundry income | 77 | 87 | 77 | 26 |
| Gain on disposal of property, plant and equipment | <u>185</u> | <u>–</u> | <u>–</u> | <u>679</u> |
| | <u><u>262</u></u> | <u><u>87</u></u> | <u><u>77</u></u> | <u><u>705</u></u> |

The gain on disposal of property, plant and equipment of approximately HK\$0.2 million for the year ended 31 December 2014 arose from the sales of fully depreciated motor vehicles in such period.

The gain on disposal of property, plant and equipment of approximately HK\$0.7 million for the six months ended 30 June 2016 due to the sale of used motor vehicles for replacement.

Administrative and other operating expenses

Administrative and other operating expenses mainly consisted of (i) auditors' remuneration; (ii) building management fee; (iii) depreciation of owned assets; (iv) depreciation of assets under finance lease; (v) entertainment; (vi) written off of an amount due from a related party; (vii) insurance; (viii) legal and professional fees; (ix) Listing expenses; (x) operating lease rental on premises; (xi) staff costs, including directors' emoluments; (xii) travelling; and (xiii) other expenses.

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The following table sets out the components of administrative and other operating expenses for the periods indicated:

| | Year ended | | Six months ended | |
|---|--------------------|-----------------|-------------------------|-----------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | <i>(Unaudited)</i> | | | |
| Administrative and other operating expenses | | | | |
| Auditors' remuneration | 50 | 50 | – | – |
| Building management fee | 101 | 102 | 54 | 67 |
| Depreciation | 1,903 | 1,859 | 944 | 1,104 |
| Entertainment | 1,730 | 1,348 | 747 | 1,387 |
| Written off of an amount due from a related party | 733 | – | – | – |
| Insurance | 999 | 940 | 432 | 423 |
| Legal and professional fees | 1,811 | 160 | 22 | – |
| Listing expenses | 1,733 | 4,412 | 613 | 5,096 |
| Operating lease rental on premises | 1,874 | 2,085 | 1,037 | 1,056 |
| Staff costs, including directors' emoluments | 6,424 | 7,375 | 3,495 | 4,495 |
| Travelling | 255 | 110 | 83 | 59 |
| Other expenses | 2,094 | 1,558 | 756 | 1,205 |
| | <u>19,707</u> | <u>19,999</u> | <u>8,183</u> | <u>14,892</u> |

Depreciation include depreciation of plant and machinery, motor vehicles, furniture and fixtures and office equipment. Entertainment, represents mainly of costs in relation to the relationship building with existing and potential customers. Such expense has reduced by approximately 22.1% from approximately HK\$1.7 million to HK\$1.3 from the year ended 31 December 2014 to the year ended 31 December 2015 and increased from approximately HK\$0.7 million to HK\$1.4 million from the six months ended 30 June 2015 to the six months ended 30 June 2016.

For the year ended 31 December 2014, an amount due from the Individual, who is a related party, of approximately HK\$733,000 was written off. For the period between 2000 and 2014, Mr. Cheung, Mr. Chan and the Individual, among others, were involved in a series of Court Proceedings in Hong Kong regarding the ownership and management of Kingland Holdings and Kingland Concrete. For further details, please refer to the section headed “Directors and Senior Management – Shareholders’ dispute” in this document. The relevant parties including the Individual settled the Court Proceedings on 21 November 2014. The Group decided that no further action was to be taken against the Individual and wrote off the amount due from the Individual.

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Legal and professional fees mainly represent the expenses paid to the prior sponsor (the "**Prior Sponsor**") and a prior legal adviser to the Group (the "**Prior Legal Adviser**") for preparation of a [REDACTED]. Such fees are not recognised as Listing expense as all relevant engagements have been terminated. The legal and professional fees decreased from approximately HK\$1.8 million for the year ended 31 December 2014 to approximately HK\$0.2 million for the year ended 31 December 2015 and decreased from approximately HK\$22,000 for the six months ended 30 June 2015 to HK\$Nil for the six months ended 30 June 2016, which was because our Group did not require much of such services in the year 2015 and the six months ended 30 June 2016. Operating lease rental on premises which represents rental expenses for our head office and our other rented premises. Staff costs which include salaries and benefits provided to our Directors and administrative staff, increased from approximately HK\$6.4 million for the year ended 31 December 2014 to approximately HK\$7.4 million and from approximately HK\$3.5 million for the six months ended 30 June 2015 to approximately HK\$4.5 million for the six months ended 30 June 2016, mainly because of our number of administration, accounting and finance staff increased from nine as at 31 December 2014 to 14 as at 31 December 2015 and from 10 as at 30 June 2015 to 12 as at 30 June 2016. Other expenses mainly include expenses incurred for advertising, consultation, safety supplies, general office staff welfare and other utilities.

According to the clearance letter provided by the Prior Sponsor to the Stock Exchange (the "**Sponsor Clearance Letter**"), the appointment of the Prior Sponsor was terminated because the Prior Sponsor failed to reach a consensus with the Group on the amount of additional fee to be charged by the Prior Sponsor; and up to the date of the Sponsor Clearance Letter, the Prior Sponsor was not aware of any matters regarding the proposed [REDACTED] of the Group which are required to be brought to the attention of the Stock Exchange. The Sponsor also discussed with and understand from the Prior Legal Adviser that the reason of the termination of its appointment was due to the failure of Prior Legal Adviser and the Group to reach a consensus on the amount of additional fee to be charged by Prior Legal Adviser; and upon termination, the Prior Legal Adviser was not aware of any matters regarding the proposed [REDACTED] of the Group which are required to be brought to the attention of the Stock Exchange.

Finance costs

For each of the two years ended 31 December 2014 and 31 December 2015, our finance costs increased slightly from approximately HK\$0.4 million to HK\$0.5 million. The finance costs arose from our finance lease liabilities.

For the six months ended 30 June 2015 and 30 June 2016, our finance costs decreased from approximately HK\$0.3 million to HK\$0.1 million mainly due to the early repayment of finance leases for the six months ended 30 June 2015. For the six months ended 30 June 2015, approximately HK\$1.6 million of finance leases were repaid.

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Income tax expenses

The following table sets forth the breakdown of income tax expense of our Group for the periods indicated:

| | Year ended | | Six months ended | |
|--------------|-----------------|-----------------|--------------------|-----------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | <i>(Unaudited)</i> | |
| Current tax | | | | |
| – Hong Kong | 798 | 2,814 | 1,094 | 1,193 |
| – Macau | 1,374 | 571 | 480 | 29 |
| Deferred tax | <u>28</u> | <u>93</u> | <u>(323)</u> | <u>115</u> |
| | <u>2,200</u> | <u>3,478</u> | <u>1,251</u> | <u>1,337</u> |

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, Hong Kong profits tax has been provided at the rate of 16.5% and Macau profits tax has been provided at the rate of 12% on the estimated assessable profit arising in or derived from the jurisdictions in which the entities operate for the year. The effective tax rate for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 are approximately 17.6%, 19.7% and 39.6% respectively. The increase of effective tax rate for each of the two years ended 31 December 2014 and 2015 was mainly due to the increase in our revenues in Hong Kong market in 2015 where the tax rate was higher.

Profit for the year/period

The growth of our profit for the year from approximately HK\$10.3 million for the year ended 31 December 2014 to approximately HK\$14.2 million for the year ended 31 December 2015 was primarily due to our increase in gross profit attributable to the improvement in gross profit margin from 27.6% to 31.7%. The gross profit margin increased mainly because (i) we incurred more materials and consumables cost in 2014; and (ii) we incurred additional staff cost for our Hong Kong workers to work for job C1 in Macau in year 2014.

The decrease of our profit from approximately HK\$6.9 million for the six months ended 30 June 2015 to approximately HK\$2.0 million for the six months ended 30 June 2016 was primarily due to (i) the more-than-proportionate increase in our cost of sale of approximately 24.8% from approximately HK\$34.5 million for the six months ended 30 June 2015 to approximately HK\$43.0 million for the six months ended 30 June 2016 which partially offset by the increase in revenue of approximately 18.8%; (ii) and the increase in listing expenses from approximately HK\$0.6 million for the six months ended 30 June 2015 to approximately HK\$5.1 million for the six months ended 30 June 2016.

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LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth the cash flows for the periods indicated:

| | Year ended | | Six months ended | |
|--|---------------------|----------------------|-------------------------|---------------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | | | |
| Net cash generated from/(used in) operating activities | 7,179 | 7,336 | 236 | (7,550) |
| Net cash used in investing activities | (4,588) | (5,253) | (1,073) | (1,979) |
| Net cash (used in)/generated from financing activities | <u>(1,496)</u> | <u>13,153</u> | <u>(1,296)</u> | <u>(2,001)</u> |
| Net increase/(decrease) in cash and cash equivalents | 1,095 | 15,236 | (2,133) | (11,530) |
| Cash and cash equivalents at beginning of year/period | <u>3,654</u> | <u>4,749</u> | <u>4,749</u> | <u>19,985</u> |
| Cash and cash equivalents at end of the year/period | <u><u>4,749</u></u> | <u><u>19,985</u></u> | <u><u>2,616</u></u> | <u><u>8,455</u></u> |

Net cash generated from/(used in) operating activities

The net cash generated from operating activities was approximately HK\$7.3 million for the year ended 31 December 2015. The amount was derived from the Group's profit before tax of approximately HK\$17.7 million, mainly adjusted for (i) depreciation of approximately HK\$2.7 million; (ii) increase in trade and other receivables of approximately HK\$13.0 million; and (iii) increase in trade and other payables of approximately HK\$4.7 million. The trade and other receivables and trade and other payables increased mainly because two of our top five jobs were substantially completed near the end of 2015.

The net cash generated from operating activities was approximately HK\$7.2 million for the year ended 31 December 2014. The amount was derived from the Group's profit before tax of approximately HK\$12.5 million, mainly adjusted for (i) depreciation of approximately HK\$2.8 million; and (ii) increase in trade and other receivables of approximately HK\$11.4 million. The trade and other receivables increased mainly because of the growth in revenue between the year ended 31 December 2014 and 2015.

The net cash used in operating activities was approximately HK\$7.6 million for the six months ended 30 June 2016. The amount was derived from the Group's profit before tax of approximately HK\$3.4 million, mainly adjusted for (i) depreciation of approximately

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HK\$1.7 million; (ii) gain on disposal, property, plant and equipment of approximately HK\$0.7 million; and (iii) increase in trade and other receivables of approximately HK\$11.7 million. The increase in trade and other receivables was mainly due to the increased in contract receivables as part of the jobs in job C10 and C11 has completed near the period end. The significant increased in net cash used in operating activities was mainly due to the decrease in profit before income tax from approximately HK\$8.2 million for the six months ended 30 June 2015 to approximately HK\$3.4 million for the six months ended 30 June 2016.

The net cash generated from operating activities was approximately HK\$0.2 million for the six months ended 30 June 2015. The amount was derived from the Group's profit before tax of approximately HK\$8.2 million, mainly adjusted for (i) depreciation of approximately HK\$1.3 million; (ii) increase in amount due from customers for contract work of approximately HK\$8.2 million; and (iii) increase in trade and other payables of approximately HK\$10.9 million; and (iv) increase in trade and other receivables of approximately HK\$12.3 million.

Net Cash Used in investing activities

For the year ended 31 December 2014, the Group had net cash used in investing activities of approximately HK\$4.6 million, representing mainly (i) increase in amount due from a director of approximately HK\$4.5 million; (ii) purchases of property, plant and equipment of approximately HK\$305,000 for the year.

For the year ended 31 December 2015, the Group had net cash used in investing activities of approximately HK\$5.3 million, representing (i) increase in amount of due from a director of approximately HK\$2.3 million; (ii) purchases of property, plant and equipment for the year.

For the six months ended 30 June 2015, the Group had net cash used in investing activities of approximately HK\$1.1 million, representing (i) increase in amount of due from a director of approximately HK\$0.5 million and (ii) purchase of property, plant and equipment of approximately HK\$0.6 million for the period.

For the six months ended 30 June 2016, the Group had net cash used in investing activities of approximately HK\$2.0 million, representing mainly (i) increase in amount due from a director of approximately HK\$0.8 million and (ii) purchases of property, plant and equipment approximately HK\$1.2 million for the period, among which approximately HK\$0.7 million was used to purchase machineries for operation and approximately HK\$0.5 million was used to replace used motor vehicles.

Net cash (used in)/generated from financing activities

For the year ended 31 December 2014, the Group had net cash used in financing activities of approximately HK\$1.5 million, representing mainly repayment of finance lease of approximately HK\$2.1 million for the year.

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For the year ended 31 December 2015, the Group had net cash generated from financing activities of approximately HK\$13.2 million, representing mainly proceeds from the issue of shares of approximately HK\$15.0 million offset by repayment of finance lease of approximately HK\$2.4 million.

For the six months ended 30 June 2015, the Group had net cash used in financing activities of approximately HK\$1.3 million, representing mainly repayment of finance leases of approximately HK\$1.6 million and increase in amount due to a director of approximately HK\$0.6 million for the period.

For the six months ended 30 June 2016, the Group had net cash used in financing activities of approximately HK\$2.0 million, representing mainly repayment of finance leases of approximately HK\$1.2 million and decrease in amount due to a director of approximately HK\$0.6 million.

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 coring machines, wire saw machines, etc.; (ii) furniture, fixture and equipment; and (iii) motor vehicles. The following table sets out the carrying amounts of each type of property, plant and equipment of our Group as at each reporting date:

| | As at 31 December | | As at 30 |
|------------------------|-------------------|--------------|--------------|
| | 2014 | 2015 | June |
| | HK\$'000 | HK\$'000 | 2016 |
| | | | HK\$'000 |
| Plant and machinery | 1,029 | 2,876 | 3,025 |
| Furniture and fixtures | – | 103 | 90 |
| Office equipment | – | 36 | 32 |
| Motor vehicles | 6,027 | 4,173 | 5,598 |
| | <u>7,056</u> | <u>7,188</u> | <u>8,745</u> |

The carrying amount of plant and machinery increased from approximately HK\$1.0 million for the year ended 31 December 2014 to approximately HK\$2.9 million for the year ended 31 December 2015 and to approximately HK\$3.0 million as at 30 June 2016 mainly because of acquisition of machinery for project execution.

Amounts due from/(to) customers for contract work

Our revenue from contracts is recognised based on the stage of completion of the contracts. The stage of completion is recorded by reference to construction costs incurred. There is normally a timing difference between the project progress (in terms of percentage of project completion) recorded by us and the issuance of written payment approval and

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billing of our projects. Our Group records gross amounts due from customers for contract work 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 gross amounts due to customers for contract work 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 payment applications to our customers on a regular basis. The following table sets forth the amounts due from/to customers for contract work as at each reporting date:

| | As at 31 December | | As at 30 |
|---|--------------------------|-----------------|-----------------|
| | 2014 | 2015 | June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amount due from customers for contract work: | | | |
| Contract costs incurred plus recognised profits | | | |
| less recognised losses | 54,758 | 95,341 | 69,150 |
| Less: Progress billings received and receivables | <u>(54,005)</u> | <u>(91,773)</u> | <u>(66,259)</u> |
| | <u>753</u> | <u>3,568</u> | <u>2,891</u> |
| | | | |
| Amount due to customers for contract work: | | | |
| Progress billings received and receivables | 64,534 | 4,636 | 4,452 |
| Less: Contracts costs incurred plus recognised profits less recognised losses | <u>(63,522)</u> | <u>(4,462)</u> | <u>(3,632)</u> |
| | <u>1,012</u> | <u>174</u> | <u>820</u> |

The amounts due from/to customers for contract work are normally affected by (i) the amount of works handled by our Group at the time close to the end of each reporting period by reference to the construction costs incurred for and the budgeted costs of the projects; and (ii) the timing of issuing written payment approval by our customers for the project progress recorded by us, which can vary significantly from period to period.

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Trade and other receivables

As at each reporting date, the trade and other receivables comprise:

| | As at 31 December | | As at 30 |
|---|-------------------|---------------|---------------|
| | 2014 | 2015 | June |
| | HK\$'000 | HK\$'000 | 2016 |
| | | | HK\$'000 |
| Contract receivables | 8,754 | 19,240 | 23,774 |
| Retention receivables | <u>8,708</u> | <u>9,971</u> | <u>12,725</u> |
| Total trade receivables | 17,462 | 29,211 | 36,499 |
| Other receivables, deposits and prepayments | <u>2,231</u> | <u>3,497</u> | <u>7,954</u> |
| | <u>19,693</u> | <u>32,708</u> | <u>44,453</u> |

Trade receivables

Our trade receivables as at 31 December 2014 and 2015 and 30 June 2016 were approximately HK\$17.5 million, HK\$29.2 million and HK\$36.5 million respectively.

Our trade receivables consist of (i) contract receivables; and (ii) retention receivables. We normally receive progress payment from customers on a monthly basis and occasionally on a milestone basis with reference to the value of works done for jobs that extend over one reporting period. A progress certificate certifying the works progress is issued by authorised persons (such as the quantity surveyors employed by our customers). Upon issuance of such certificates, the progress revenue is billed to customers and then become payable by customers, and the progress revenue is accounted for as contract receivables. If there is sufficient evidence to show that the relevant job has been completed within the same reporting period, we also recognise revenue based on invoice. All of the Group's contract receivables are recognised based on invoice (for completed jobs only) and payment certificates during the Track Record Period. Generally, payment from customers is due around 14 to 60 days after the issue of the progress certificate/invoice. The retention receivables represent the retention money held up by our customers for construction jobs. The retention money is retained by our customers at a rate of 10% of each interim payment made to us and up to a maximum limit of 5% of the total contract sum.

The contract receivables increased significantly from approximately HK\$8.8 million as at 31 December 2014 to approximately HK\$19.2 million as at 31 December 2015 because our major jobs, namely job C6 and job C8 were substantially completed near the end of the year 2015 leading to the substantial increase in contract receivables by 31 December 2015. In particular, the revenue recognised (based on the recognition criteria set out in HKAS 11) in November and December of 2015 was approximately HK\$26.1 million, significantly higher than the approximately HK\$8.3 million revenue recognised in the corresponding period of 2014. This demonstrates that relatively more works were completed and more revenue was recognised near the end of 2015 and causing the unsettled contract receivables

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as at 31 December 2015 to increase. The contract receivables as at 31 December 2015 in relation to these jobs amounted to approximately HK\$9.9 million. Most of the contract receivables has not yet been settled as at 31 December 2015. In addition, the portion of contract receivable that aged over 91 days increased from 5.5% in 2014 to approximately 40.2% in 2015. Therefore, contract receivables in 2015 increased significantly with only slight increase in revenue.

The contract receivables increased from approximately HK\$19.2 million as at 31 December 2015 to approximately HK\$23.8 million as at 30 June 2016 mainly represented contract receivables from job C10 and C11 as part of the jobs has completed near the period end.

The following table sets forth the debtors' turnover days of the contract receivables for the periods indicated:

| | For the year ended 31 December | | Six months ended 30 June |
|-----------------------|---|------------------|---|
| | 2014 | 2015 | 2016 |
| Debtors' turnover day | <u>18.2 days</u> | <u>42.5 days</u> | <u>64.4 days</u> |

Our debtors' turnover days increased from approximately 18.2 days in 2014 to approximately 42.5 days in 2015 and further increased to approximately 64.4 days for the six months ended 30 June 2016. The largest job in 2014 (in terms of revenue in 2014), JobC1, was substantially completed in July 2014. Since Job C1 was substantially completed several months before 31 December 2014, with the credit term ranging from 14 to 60 days after the issue of the progress certificate, the outstanding balance due to Job C1 was settled before 31 December 2014. Accordingly, the outstanding contract receivables relating to job C1 as at 31 December 2014 was nil.

Since the debtors' turnover days of the contract receivables is calculated based on the average of beginning and ending trade receivable balances for the period, the exceptionally low outstanding contract receivable as at 31 December 2014 resulted in lower debtors' turnover day for the year ended 31 December 2014 and 2015. Therefore, the debtor's turnover days for the six months ended 30 June 2016 is higher than that in the year ended 31 December 2014 and 2015.

If we do not receive payment from customers within the credit period stated on the invoices issued by us to our customers, we will monitor the overdue payments continuously and our management will evaluate on a case-by-case basis as to the appropriate follow-up actions having regard to the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. Our management, after review, is of the view that no impairment is necessary.

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The following table illustrates the aging analysis of the contract receivables, based on the invoice date, as of the end of each reporting dates:

| | As at 31 December | | As at 30 |
|---------------|--------------------------|-----------------|-----------------|
| | 2014 | 2015 | June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0-30 days | 4,393 | 4,202 | 9,207 |
| 31-60 days | 3,479 | 4,852 | 10,300 |
| 61-90 days | 397 | 2,460 | 1,406 |
| 91-365 days | 260 | 7,350 | 2,495 |
| Over 365 days | 225 | 376 | 366 |
| | 8,754 | 19,240 | 23,774 |

A considerable portion of the contract receivables aged 91 days or more. As at 31 December 2015, the portion of contract receivable that aged over 91 days increased from 5.5% to approximately 40.2%. Our largest job in terms of revenue in 2015 was job C6, a demolition works of a public transport development project in Hong Kong. Since this public transport project is a large scale government project, our Directors consider that the payment approval process for such a large scale government project is generally longer, leading to longer contract receivable aging as at 31 December 2015. Out of the approximately HK\$7.7 million contract receivables that aged over 91 days as at 31 December 2015, approximately HK\$3.6 million is related to job C6. As at 30 June 2016, the portion of contract receivable that aged over 91 days decreased from 40.2% to approximately 12.0% mainly due to the settlements from customers during the period.

No impairment of trade receivable was made during the Track Record Period. Although some customers showed relatively slower repayment, our Directors have reviewed the payment history of the long-aged receivables. As no evidence of impairment of trade receivable has occurred, our Directors consider that no impairment is necessary.

Up to the Latest Practicable Date, 90.8% of the Group's trade receivable as at 30 June 2016 has been subsequently settled.

Other receivables, deposits and prepayments

The balance of other receivables, deposits and prepayments increased from approximately HK\$2.2 million to HK\$3.5 million between 31 December 2014 and 2015 mainly because of prepayment of listing expenses of approximately HK\$1.7 million as at 31 December 2015. Our other receivables, deposits and prepayments has further increased to HK\$8.0 million as at 30 June 2016 mainly due to prepayments in Listing expenses.

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Trade and other payables

As at each reporting date, the trade and other payables comprise:

| | As at 31 December | | As at 30 |
|-----------------------------|--------------------------|----------------------|----------------------|
| | 2014 | 2015 | June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables | 2,938 | 10,006 | 13,706 |
| Accruals and other payables | <u>10,777</u> | <u>8,427</u> | <u>3,993</u> |
| | <u><u>13,715</u></u> | <u><u>18,433</u></u> | <u><u>17,699</u></u> |

Trade payables

The trade payable represents the balance due to our Group's suppliers and subcontractors. The balance increased from approximately HK\$2.9 million as at 31 December 2014 to HK\$10.0 million as at 31 December 2015 because our major jobs, namely job C6 and job C8, were substantially completed near the end of 2015 (meaning that over 80% of the total job revenue respectively have been recognised) leading to the substantial increase in trade payables by 31 December 2015. Our trade payables increased to approximately HK\$13.7 million as at 30 June 2016 due to part of the jobs in job C10 and C11 has completed near the period end.

The following table sets forth the creditors' turnover day (calculated as the average of beginning and ending total trade payable balances for the period divided by cost of inventory sold and subcontracting charge for the period, multiplied by the number of the days in the period) for the periods indicated:

| | For the year ended | | Six months |
|-------------------------|---------------------------|------------------|-------------------|
| | 31 December | 2015 | ended 30 |
| | 2014 | 2015 | June |
| | 2014 | 2015 | 2016 |
| Creditors' turnover day | <u>13.7 days</u> | <u>28.8 days</u> | <u>50.1 days</u> |

The majority of credit term granted by our Group's suppliers/subcontractors is 30 days. The creditors' turnover day during the year ended 31 December 2015 was slightly below 30 days. Our creditor's turnover days increased from approximately 13.7 days in 2014 to approximately 28.8 days in 2015, and further increased to approximately 50.1 days for the six months ended 30 June 2016. The creditors' turnover days for 2014 was lower than usual because job C1, the largest job in 2014 (in terms of revenue in 2014), was substantially completed in July 2014 (meaning that over 80% of the total job revenue has been recognised). As it was substantially completed several months before 31 December 2014, the outstanding trade payables relating to job C1 as at 31 December 2014 was nil, leading to a low creditors' turnover day for the year ended 31 December 2014. However, the major jobs

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in 2015 were substantially completed in third or last quarter of the year. Therefore, as at 31 December 2015, trade payables increased accordingly and led to a comparably higher creditors' turnover day for the year ended 31 December 2015 and the six months ended 30 June 2016.

The following table illustrates the aging analysis of the trade payables, based on the invoice date, as of the end of each reporting dates:

| | As at 31 December | | As at |
|--------------|-------------------|---------------|---------------|
| | 2014 | 2015 | 30 June |
| | HK\$'000 | HK\$'000 | 2016 |
| | | | HK\$'000 |
| 0-30 days | 1,011 | 3,461 | 9,522 |
| 31-60 days | 571 | 2,192 | 1,302 |
| 61-90 days | 390 | 1,944 | 1,156 |
| Over 90 days | 966 | 2,409 | 1,726 |
| | <u>2,938</u> | <u>10,006</u> | <u>13,706</u> |

91.0% of our Group's trade payables as at 30 June 2016 have been subsequently settled up to the Latest Practicable Date.

Accruals and other payables

The accruals and other payables represent obligations to pay for interest payable and goods or services that have been acquired. The balance dropped from approximately HK\$10.8 million to HK\$8.4 million between 31 December 2014 and 2015. Our subcontractor A had not issued an invoice to us in relation to the subcontracting charge of approximately HK\$3.0 million payable for the works performed for the job C1 as at 31 December 2014.

Our accruals and other payables had further dropped to approximately HK\$4.0 million as at 30 June 2016 mainly due to payments of accrued bonus and Listing expenses.

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Balances with directors and related parties

As at each of reporting dates, the Group had the following balances with directors and related parties:

| | As at 31 December | | As at 30 |
|---|-------------------|----------------|----------------|
| | 2014 | 2015 | June |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Amount due from a director – | | | |
| Mr. Chan | 5,637 | 6,568 | 7,335 |
| Amount due from a related company – | | | |
| Yuet Tung Trading Co | 1,587 | 1,637 | 1,661 |
| Amount due to a director – | | | |
| Mr. Cheung | <u>(967)</u> | <u>(3,363)</u> | <u>(2,762)</u> |
| Net balances with directors and related parties | <u>6,257</u> | <u>4,842</u> | <u>6,234</u> |

The balances with Mr. Chan and Mr. Cheung mainly arose from cash advances and payment on behalf. The amount due to Yuet Tung Trading Co arose from payment on behalf of the related company by our Group. Yuet Tung Trading Co is a partnership between Mr Chan, Mr Cheung and the Individual. The amounts due from director arose from approximately HK\$5.6 million to HK\$6.6 million from 31 December 2014 to 31 December 2015 and approximately HK\$7.3 million as at 30 June 2016 because of cash advance and payments on behalf of director. The amounts due to Mr. Cheung increased from HK\$1.0 million to HK\$3.4 million from 31 December 2014 to 31 December 2015 mainly because of payment on behalf of our Group from Mr. Cheung. The amount due to Mr. Cheung decreased to approximately HK\$2.8 million as at 30 June 2016 mainly because of the repayment to Mr. Cheung. There is no significant change for the amount due from Yuet Tung Trading Co.

All balances with directors and related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the above balances will be settled on or before [REDACTED].

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NET CURRENT ASSETS

The following table sets forth the breakdown of our Group’s current assets and current liabilities as at 31 December 2014 and 2015, 30 June 2016 and 30 September 2016.

| | As at 31 December | | As at 30 June | As at 30 September |
|--------------------------------|--------------------------|-----------------|--------------------------|-------------------------------|
| | 2014 | 2015 | 2016 | 2016 |
| | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>HK\$’000</i> |
| | | | | (unaudited) |
| Current assets | | | | |
| Amounts due from customers for | | | | |
| contract work | 753 | 3,568 | 2,891 | 3,931 |
| Trade and other receivables | 19,693 | 32,708 | 44,453 | 45,510 |
| Amount due from a director | 5,637 | 6,568 | 7,335 | 7,936 |
| Amounts due from a related | | | | |
| company | 1,587 | 1,637 | 1,661 | 1,673 |
| Cash and cash equivalents | <u>4,749</u> | <u>19,985</u> | <u>8,455</u> | <u>5,510</u> |
| | <u>32,419</u> | <u>64,466</u> | <u>64,795</u> | <u>64,560</u> |
| Current liabilities | | | | |
| Amounts due to customers for | | | | |
| contract work | 1,012 | 174 | 820 | 708 |
| Trade and other payables | 13,715 | 18,433 | 17,699 | 16,128 |
| Amount due to a director | 967 | 3,363 | 2,762 | 2,385 |
| Borrowings | 1,887 | 1,669 | 1,894 | 2,251 |
| Tax payable | <u>2,482</u> | <u>4,214</u> | <u>4,497</u> | <u>4,768</u> |
| | <u>20,063</u> | <u>27,853</u> | <u>27,672</u> | <u>26,240</u> |
| Net current assets | <u>12,356</u> | <u>36,613</u> | <u>37,123</u> | <u>38,320</u> |

The net current assets increased from approximately HK\$36.6 million as at 31 December 2015 to approximately HK\$37.1 million as at 30 June 2016 mainly due to the increase in trade and other receivables from approximately HK\$32.7 million as at 31 December 2015 to approximately HK\$44.5 million as at 30 June 2016 mainly due to more jobs were substantially completed near the period end.

The net current assets increased from approximately HK\$12.4 million as at 31 December 2014 to HK\$36.6 million as at 31 December 2015 mainly due to the increase in the equity and net assets of our Group when Platinum Faith allotted and issued 250 new shares to Applewood Developments at a consideration of HK\$15.0 million (the “Allotment”) during the year ended 31 December 2015. The Allotment significantly increased the amount of cash and cash equivalents of our Group from approximately HK\$4.7 million as at 31 December 2014 to approximately HK\$20.0 million as at 31 December 2015.

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The net current assets remained stable and increased slightly to approximately HK\$38.3 million as at 30 September 2016.

As at 30 June 2016, our cash and cash equivalent was approximately HK\$8.5 million. For the year ended 31 December 2015, the cost of sales and the administrative and other operating expenses were over HK\$100 million in aggregate. As the existing cash level only amounted to around 19% of the annual cost and expenses of our Group, our Directors are of the view that it is important for us to maintain sufficient capital for existing business operation and that our existing cash level is not exceptionally high.

SUFFICIENCY OF WORKING CAPITAL

Our Directors confirm that our Group has sufficient working capital for its requirements for at least the next 12 months from the date of this document, taking into account the existing financial resources available to us, the estimated net proceeds from the [REDACTED] and cash flows from operations.

INDEBTEDNESS

The following table sets out the Group's indebtedness as at the respective financial position dates below.

| | As at 31 December | | As at 30 June 2016 | As at 30 September 2016 |
|---|--------------------------|-----------------|-----------------------------------|--|
| | 2014 | 2015 | 2016 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | | | |
| Finance lease liabilities – non-current | 4,253 | 2,101 | 2,024 | 2,310 |
| Finance lease liabilities – current | <u>1,887</u> | <u>1,669</u> | <u>1,894</u> | <u>2,251</u> |
| Total borrowings | <u>6,140</u> | <u>3,770</u> | <u>3,918</u> | <u>4,561</u> |
| Due to a director – Mr. Cheung | <u>967</u> | <u>3,363</u> | <u>2,762</u> | <u>2,385</u> |

Borrowing

During the Track Record Period, our Group had certain machinery and motor vehicles under finance leases. Our Group's machinery with aggregate net book value of approximately HK\$469,000, HK\$Nil, HK\$Nil and HK\$Nil as at 31 December 2014 and 2015, 30 June 2016 and 30 September 2016 respectively are secured as the rights to the leased assets revert to the lessors in the event of default. Our Group's motor vehicles with aggregate net book value of approximately HK\$6.0 million, HK\$4.0 million, HK\$4.8 million and HK\$6.2 million as at 31 December 2014 and 2015, 30 June 2016 and 30 September 2016 respectively are secured as the rights to the leased assets revert to the lessors in the event of default. The total amount of finance lease liabilities dropped from approximately

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HK\$6.1 million as at 31 December 2014 to approximately HK\$3.8 million as at 31 December 2015 as our Group repaid certain finance leases during the Track Record Period. The total amount of finance lease liabilities as at 30 June 2016 has increased to approximately HK\$3.9 million due to the increased in number of finance leases during the period.

As at 31 December 2014 and 2015, 30 June 2016 and 30 September 2016, our Group bore interest at flat interest rate of 1.75% to 4.5% per annum, 3.5% per annum, 2.0% to 3.5% per annum and 2.0% to 3.5% per annum for the committed finance lease facilities. Other than that, our Group had no other committed borrowing facilities.

The finance lease liabilities were guaranteed by Mr. Chan and Mr. Cheung. Our Directors confirm 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 are expected to be repaid within the first six months after [REDACTED], financed by the net proceeds of the [REDACTED]. For details of the use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds". Upon the full repayment all finance lease liabilities before or around the [REDACTED], the personal guarantees executed by Mr. Chan and Mr. Cheung will be released.

We confirm that during the Track Record Period and up to the Latest Practicable Date, we have not encountered any material difficulty in raising bank loans or other financing in our business operations.

Due to a Director

The amount due to Mr. Cheung mainly arose from cash advances and payment on behalf. The amount due to Mr. Cheung increased from HK\$1.0 million as at 31 December 2014 to HK\$3.4 million as at 31 December 2015 mainly because of cash advance from Mr. Cheung. The amount due to Mr. Cheung was approximately HK\$2.8 million and HK\$2.4 million as at 30 June 2016 and 30 September 2016, respectively.

Contingent liabilities

Our Group, in the ordinary course of our business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although our Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, our Group could incur judgements or enter into settlements of claims that could adversely affect our operating results or cash flows in a particular period.

Our Group had no significant contingent liabilities at the end of each of 31 December 2014, 2015, 30 June 2016 and 30 September 2016.

Our Directors confirm that there are no material covenants relating to these outstanding indebtedness.

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Save as aforesaid or as otherwise disclosed herein and apart from normal trade and other payables and tax payable, our Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the closure of business on 30 September 2016.

CAPITAL COMMITMENT

Capital commitments outstanding at each statement of financial position date not provided for in this section were as follows:

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|--|---|---|--|
| Contracted but not provided for property, plant and equipment | – | 655 | 254 |

CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditures for the periods indicated. The capital expenditures were funded out of our Group's internal resources.

| | Year ended 31 December | | Six months ended 30 June |
|-----------------------|---------------------------|-------------------------|-----------------------------------|
| | 2014 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
| Plant and machinery | – | 2,728 | 730 |
| Furniture and fixture | – | 107 | – |
| Office equipment | – | 37 | – |
| Motor vehicles | 2,874 | – | 2,523 |
| Total | 2,874 | 2,872 | 3,253 |

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OTHER KEY FINANCIAL RATIOS

| | As at / For the year ended | | As at/For |
|--|----------------------------|------------|-----------------------------------|
| | 31 December | 2015 | the six months ended 30 June 2016 |
| | 2014 | 2015 | 2016 |
| Turnover growth ¹ | n/a | 2.5% | 18.8% |
| Net profit growth ² | n/a | 38.2% | -70.7% |
| Gross margin ³ | 27.6% | 31.7% | 29.2% |
| Net profit margin before interest and tax ⁴ | 11.0% | 15.1% | 5.8% |
| Net profit margin ⁵ | 8.8% | 11.8% | 3.4% |
| Return on equity ⁶ | 74.2% | 35.3% | 4.8% |
| Return on assets ⁷ | 26.0% | 19.8% | 2.8% |
| Current ratio ⁸ | 1.6 times | 2.3 times | 2.3 times |
| Gearing ratio ⁹ | 44.3% | 9.4% | 9.3% |
| Debt to equity ratio ¹⁰ | 10.0% | nil | nil |
| Interest coverage ¹¹ | 35.1 times | 37.9 times | 23.8 times |

Notes:

1. Turnover growth is calculated as the year-on-year growth rate of revenue
2. Net profit growth is calculated as the year-on-year growth rate of net profit
3. Gross margin is calculated as the gross profit divided by revenue
4. Net profit margin before interest and tax is calculated as the profit before interest and tax divided by revenue
5. Net profit margin is calculated as the profit for the year/period divided by revenue
6. Return on equity is calculated as the profit for the year/period divided by total equity
7. Return on assets is calculated as the profit for the year/period divided by total assets
8. Current ratio is calculated as the current assets divided by current liabilities
9. Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt includes finance lease obligation
10. Debt to equity ratio is calculated as the total debt net of cash and bank balances and divided by total equity. For the avoidance of doubt, total debt includes finance lease obligation
11. Interest coverage is calculated as the profit before interest and tax divided by finance cost

Turnover growth

Our Group has experienced a turnover growth of approximately 2.5% as compared between the turnover in the two years ended 31 December 2014 and 2015. Such increase was primarily due to the increase in the number of jobs mainly in Hong Kong in 2015 as compared to the previous period.

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Our group has experienced a turnover growth of approximately 18.8% as compared between the turnover in the six months ended 30 June 2015 and 2016. Such increase was primarily due to the increase size of jobs mainly in Hong Kong in 2016 as compared to the previous period.

Net profit growth

Our growth in our profit for the year from approximately HK\$10.3 million for the year ended 31 December 2014 to approximately HK\$14.2 million for the year ended 31 December 2015 was primarily due to our increase in gross profit attributable to the improvement in gross profit margin from 27.6% to 31.7%. Our decrease in our profit from approximately HK\$6.9 million for the six months ended 30 June 2015 to approximately HK\$2.0 million for the six months ended 30 June 2016 was primarily due to our more-than-proportionate increase in administrative and other operating expenses of 82.0% from approximately HK\$8.2 million to approximately HK\$14.9 million mainly represented by the increase in Listing expenses from approximately HK\$0.6 million to approximately HK\$5.1 million while the increase in revenue of approximately 18.8%.

Gross margin

Our Group's gross profit margin increased from approximately 27.6% for the year ended 31 December 2014 to approximately 31.7% for the year ended 31 December 2015, which was mainly because (i) we incurred more materials and consumables cost in the year of 2014; and (ii) we incurred staff costs including accommodations and allowances for our workers for job C1 in Macau in the year of 2014.

The gross profit margin decreased from approximately 32.5% for six months ended 30 June 2015 to approximately 29.2% for the six months ended 30 June 2016 mainly due to the increased of cost of sales of 24.8% in the six months ended 30 June 2016 as (i) the machinery rental cost for the Group increased by approximately 70.6%; and (ii) the subcontracting charges increased by approximately 27.3%; and (iii) the staff cost increased by approximately 33.0%.

Our Group's gross profit margin was slightly higher 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.

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Net profit margin before interest and tax

Our Group's net profit margin before interest and tax improved from 11.0% for the year ended 31 December 2014 to 15.1% for the year ended 31 December 2015. Such improvement in the net profit margin before interest and tax was attributable to the improvement in gross profit margin from 27.6% to 31.7%.

Our Group's net profit margin before interest and tax decreased from approximately 16.7% for six months ended 30 June 2015 to approximately 5.8% for the six months ended 30 June 2016 mainly due to the increase in revenue of approximately 18.8% while the more-than-proportionate increase in administrative and other operating expenses of approximately 82.0% mainly represented by the increase in Listing expenses from approximately HK\$0.6 million to approximately HK\$5.1 million.

Net profit margin

Our Group's net profit margin has slightly improved from 8.8% for the year ended 31 December 2014 to 11.8% for the year ended 31 December 2015. The income tax expense increased by around 58.1% between the two years ended 31 December 2014 and 2015. Such increase was primarily due to the increase in our revenues generated in the Hong Kong market in 2015 where the tax rate is higher in Hong Kong than in Macau. The change in net profit margin is also in line with the changes in net profit margin before interest and tax.

Our Group's net profit margin decreased from approximately 13.6% for six months ended 30 June 2015 to approximately 3.4% for the six months ended 30 June 2016. Such decrease was mainly due to the increase in administrative and other operating expenses and the less-than-proportionate increase in revenue.

Return on equity

Our Group's return on equity decreased from 74.2% for the year ended 31 December 2014 to 35.3% for the year ended 31 December 2015 and 4.8% as at 30 June 2016, which was mainly due to the increase in equity from approximately HK\$13.9 million as at 31 December 2014 to approximately HK\$40.3 million as at 31 December 2015 after the Allotment of 250 new shares of Platinum Faith to Applewood Developments during such year.

The return on equity for the six months ended 30 June 2016 of 4.8% was substantially lower because only the results of operation in the first six months of 2016 are taken into account.

Return on assets

Our Group's return on assets remained relatively steady from 26.0% as at 31 December 2014 to 19.8% as at 31 December 2015. We recorded a decrease in return on assets to approximately 2.8% for the six months ended 30 June 2016 was mainly due to the profit for only six months recorded.

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Current ratio

During the Track Record Period, our Group's current ratio improved from approximately 1.6 times as at 31 December 2014 to 2.3 times as at 31 December 2015 which was due to increase in current assets as the result of certain major jobs were completed or substantially completed in the year of 2015.

Our Group's current ratio remained steady at approximately 2.3 times as at 30 June 2016.

Gearing ratio

Our Group's gearing ratio dropped from approximately 44.3% as at 31 December 2014 to 9.4% as at 31 December 2015 due to the issue of new shares with regard to the Pre-[REDACTED] Investment and decrease in bank borrowing.

Our Group's gearing ratio decreased from approximately 9.4% as at 31 December 2015 to 9.3% as at 30 June 2016 mainly due to the increase in other reserves.

Debt to equity ratio

As at 31 December 2015 and 30 June 2016, the bank and cash balances were larger than the debts involved, as such, the debt to equity ratio was nil.

Interest coverage

Our Group's interest coverage remained steady from approximately 35.1 times for the year ended 31 December 2014 to 37.9 times for the year ended 31 December 2015 and decreased to 23.8 times for the six months ended 30 June 2016 mainly due to the decrease in the profit before interest and tax.

DIVIDEND

Dividends may be paid out by way of cash or by other means that our Group consider appropriate. 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, the payment by our Group's subsidiaries of cash dividends to us; and other factors our Board may deem relevant.

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. Save for the above, no dividend has been paid or declared by the respective subsidiaries to its the equity holders during the Tract Record Period. Subsequent to the year ended 31 December 2015, the six months ended 30 June 2016, in November 2016, interim dividends of approximately HK\$8.9 million were declared. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount

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set out in any plan of the 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.

The dividend of HK\$2.8 million declared in 2015 was settled by current accounts with Directors, therefore there was no impact on the cash level and the availability of financial resources of our Group.

As at 30 June 2016, we recorded the amount due from a director of approximately HK\$7.3 million and the amount due to a director of approximately HK\$2.8 million. Accordingly, the net amount due from a director of our Group was approximately HK\$4.5 million.

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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

(i) Interest rate risk

Other than bank balances with variable interest rate, our Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Our Group does not expose to cash flow interest rate risk arising from its finance lease borrowings as these borrowings are at fixed interest rates. Our Group currently does not hedge its exposure to the interest rate risk as the management of our Group consider that the risk is insignificant.

(ii) Foreign currency risk

Our Group has transactional currency exposures. Such exposures mainly arise from purchases by operating units in currencies other than the units' functional currencies. Some of our purchases, such as those of certain consumables and machinery parts that are imported from places outside Hong Kong, are denominated in currencies other than Hong Kong dollars, such as US\$, MOP and RMB. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our purchases denominated in currencies other than Hong Kong dollars amounted to approximately HK\$8.5 million, HK\$4.0 million and HK\$2.8 million respectively, representing approximately 26.3%, 12.0%

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and 19.0% of our total purchases of the respective years/period. As the management of the Group consider that the foreign currency risk is insignificant, they do not engage in any hedging activity.

As at 31 December 2014 and 2015 and 30 June 2016, if HK\$ had weakened/strengthened by 5% against the MOP with all other variables held constant, the Group's profit after income tax for the year would have been increased/decreased by approximately HK\$3,000, and HK\$4,000 and HK\$1,000 respectively, mainly as a result of forward exchange gains/losses on translation of MOP denominated trade payables and forward exchange gains/losses on translation of MOP denominated cash at banks.

(iii) Credit risk

Credit risk arises mainly from trade and other receivables, amount due from a director, amount due from a related company and cash at banks. Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

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, our 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.

As at 31 December 2014 and 2015 and 30 June 2016, there were two, four and two customers which individually contributed over 10% of our Group's trade and other receivables, respectively. The aggregate amount of trade and other receivables from these customers amounted to approximately 59%, 55% and 35% of our Group's total trade and other receivables as at 31 December 2014 and 2015 and 30 June 2016 respectively.

(iv) Liquidity risk

Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as our Group has sufficient cash and cash equivalents to fund their operations.

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The following table details the remaining contractual maturities at the year end dates during the Track Record Period of our Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year/period end dates during the Track Record Period) and the earliest date our Group may be required to pay:

| | On demand or within one year HK\$'000 | Between one to two years HK\$'000 | Between two to five years HK\$'000 | Total HK\$'000 |
|-------------------------------|--|--|---|---------------------------|
| As at 31 December 2014 | | | | |
| Trade and other payables | 13,715 | – | – | 13,715 |
| Amount due to a director | 967 | – | – | 967 |
| Borrowings | <u>2,173</u> | <u>1,825</u> | <u>2,674</u> | <u>6,672</u> |
| | <u>16,855</u> | <u>1,825</u> | <u>2,674</u> | <u>21,354</u> |
| As at 31 December 2015 | | | | |
| Trade and other payables | 18,433 | – | – | 18,433 |
| Amount due to a director | 3,363 | – | – | 3,363 |
| Borrowings | <u>1,867</u> | <u>1,867</u> | <u>321</u> | <u>4,055</u> |
| | <u>23,663</u> | <u>1,867</u> | <u>321</u> | <u>25,851</u> |
| As at 30 June 2016 | | | | |
| Trade and other payables | 17,699 | – | – | 17,699 |
| Amount due to a director | 2,762 | – | – | 2,762 |
| Borrowings | <u>2,064</u> | <u>1,512</u> | <u>594</u> | <u>4,170</u> |
| | <u>22,525</u> | <u>1,512</u> | <u>594</u> | <u>24,631</u> |

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Sensitivity analysis of cost of sales

The following table illustrates the sensitivity of our Group's gross profit and net profit to the average cost of sales for the Track Record Period. The change in income tax is calculated by using the effective interest rate for the Track Record Period. It is assumed that all income and expenses other than cost of sales and income tax expenses, remain unchanged.

| | For the year ended | | Six months ended | |
|--|--------------------|-----------------|------------------|-----------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Percentage change in cost of sales | +/-5% | +/-5% | +/-5% | +/-5% |
| Impact on gross profit (<i>HK\$'000</i>) | -/+4,242 | -/+4,100 | -/+1,724 | -/+2,152 |
| Percentage change in gross profit (%) | -/+13.1 | -/+10.8 | -/+10.4 | -/+12.2 |
| Impact on net profit (<i>HK\$'000</i>) | -/+3,494 | -/+3,293 | -/+1,461 | -/+1,299 |
| Percentage change in net profit (%) | -/+34.0 | -/+23.2 | -/+21.0 | -/+63.8 |

If the cost of sales increased by 5%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK\$28.0 million, HK\$34.0 million, HK\$15.0 million and HK\$15.6 million respectively, and the net profit would have decreased to approximately HK\$6.8 million, HK\$10.9 million, HK\$5.5 million and HK\$0.7 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

If the cost of sales decreased by 5%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK\$36.5 million, HK\$42.2 million, HK\$18.4 million and HK\$19.9 million respectively, and the net profit would have increased to approximately HK\$13.8 million, HK\$17.5 million, HK\$8.4 million and HK\$3.3 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Breakeven analysis

For the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, if the cost of sales increased by 14.7%, 21.6%, 23.8% and 7.8% respectively, assuming all other costs, expenses and income remain unchanged, the Group's gross profit would have dropped to approximately HK\$19.8 million, HK\$20.4 million, HK\$8.4 million and HK\$14.3 million respectively, and the net profit would have dropped to approximately HK\$0 million for the year ended 31 December 2014 and 2015 the six months ended 30 June 2015 and 2016 respectively.

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Sensitivity analysis of staff costs

The following table illustrates the sensitivity of our Group's gross profit and net profit to the average staff costs for the Track Record Period. The change in income tax is calculated by using the effective interest rate for the Track Record Period. It is assumed that all income and expenses other than staff costs and income tax expenses, remain unchanged.

| | For the year ended 31 December | | Six months ended 30 June | |
|---|-----------------------------------|------------------|-----------------------------|------------------|
| | 2014 HK\$'000 | 2015 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 |
| Percentage change in staff costs | +/-11% | +/-11% | +/-11% | +/-11% |
| Impact on gross profit (HK\$'000) | -/+2,662 | -/+2,217 | -/+1,013 | -/+1,347 |
| Percentage change in gross profit (%) | -/+8.2% | -/+5.8% | -/+6.1 | -/+7.6 |
| Impact on net profit (HK\$'000) | -/+2,775 | -/+2,432 | -/+1,184 | -/+1,112 |
| Percentage change in net profit (%) | -/+27.0% | -/+17.1% | -/+17.1 | -/+54.6 |

If the staff costs increased by 11%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK\$29.6 million, HK\$35.8 million, HK\$15.6 million and HK\$16.4 million respectively, and the net profit would have decreased to approximately HK\$7.5 million, HK\$11.8 million, HK\$5.8 million and HK\$0.9 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

If the staff costs decreased by 11%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK\$34.9 million, HK\$40.3 million, HK\$17.7 million and HK\$19.1 million respectively, and the net profit would have increased to approximately HK\$13.1 million, HK\$16.6 million, HK\$8.1 million and HK\$3.2 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Breakeven analysis

For the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, if the staff costs increased by 40.7%, 64.2%, 64.5% and 20.2% respectively, assuming all other costs, expenses and income remain unchanged, the Group's gross profit would have dropped to approximately HK\$22.4 million, HK\$25.1 million, HK\$10.7 million and HK\$15.2 million respectively, and the net profit would have dropped to approximately HK\$0 million for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

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Sensitivity analysis of subcontracting charges

The following table illustrates the sensitivity of our Group's gross profit and net profit to the average subcontracting charges for the Track Record Period. The change in income tax is calculated by using the effective interest rate for the Track Record Period. It is assumed that all income and expenses other than subcontracting charges and income tax expenses, remain unchanged.

| | For the year ended | | Six months ended | |
|--|--------------------|-----------------|------------------|-----------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Percentage change in subcontracting charges | +/-7% | +/-7% | +/-7% | +/-7% |
| Impact on gross profit (<i>HK\$'000</i>) | -/+1,920 | -/+1,930 | -/+852 | -/+1,085 |
| Percentage change in gross profit (%) | -/+5.9% | -/+5.1% | -/+5.1 | -/+6.1 |
| Impact on net profit (<i>HK\$'000</i>) | -/+1,581 | -/+1,550 | -/+772 | -/+655 |
| Percentage change in net profit (%) | -/+15.4% | -/+10.9% | -/+10.4 | -/+32.2 |

If the subcontracting charges increased by 7%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK\$30.3 million, HK\$36.1 million, HK\$15.8 million and HK\$16.6 million respectively, and the net profit would have decreased to approximately HK\$8.7 million, HK\$12.6 million, HK\$6.2 million and HK\$1.4 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

If the subcontracting charges decreased by 7%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been approximately HK\$34.2 million, HK\$40.0 million, HK\$17.5 million and HK\$18.8 million respectively, and the net profit would have increased to approximately HK\$11.9 million, HK\$15.7 million, HK\$7.7 million and HK\$2.7 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Breakeven analysis

For the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, if the subcontracting charges increased by 45.5%, 64.1%, 67.3% and 21.8% respectively, assuming all other costs, expenses and income remain unchanged, the Group's gross profit would have dropped to approximately HK\$19.8 million, HK\$20.4 million, HK\$8.4 million and HK\$14.3 million respectively, and the net profit would have dropped to approximately HK\$0 million for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

FINANCIAL INFORMATION

Sensitivity analysis of revenue

The following table illustrates the sensitivity of the Group's gross profit and net profit to the revenue for the Track Record Period. The change in income tax is calculated by using the effective rate for the Track Record Period. It is assumed that all income and expenses other than revenue and income tax expenses, remain unchanged.

| | For the year ended | | Six months ended | |
|---|--------------------|-----------------|------------------|-----------------|
| | 31 December | | 30 June | |
| | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Percentage change in average revenue | +/-5% | +/-5% | +/-5% | +/-5% |
| Impact on gross profit (<i>HK\$'000</i>) | +/-5,856 | +/-6,004 | +/-2,556 | +/-3,037 |
| Percentage change in gross profit (%) | +/-18.1 | +/-15.8 | +/-15.4 | +/-17.2 |
| Impact on net profit (<i>HK\$'000</i>) | +/-4,824 | +/-4,822 | +/-2,166 | +/-1,834 |
| Percentage change in net profit (%) | +/-46.9 | +/-34.0 | +/-31.2 | +/-90.0 |

If the revenue increased by 5%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been HK\$38.1 million, HK\$44.1 million, HK\$19.2 million and HK\$20.7 million respectively, and the net profit would have increased to approximately HK\$15.1 million, HK\$19.0 million, HK\$9.1 million and HK\$3.9 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

If the revenue decreased by 5%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been HK\$26.4 million, HK\$32.1 million, HK\$14.1 million and HK\$14.7 million respectively, and the net profit would have decreased to approximately HK\$5.5 million, HK\$9.4 million, HK\$4.8 million and HK\$0.2 million for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

Breakeven analysis

For the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, if the revenue decreased by 10.7%, 14.7%, 16.0% and 5.6% respectively, assuming all income and expenses other than revenue and income tax expenses remain unchanged, our Group's gross profit would have dropped to approximately HK\$19.8 million, HK\$20.4 million, HK\$8.4 million and HK\$14.3 million respectively, and the net profit would have dropped to approximately HK\$0 million for the year ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As at 30 June 2016, our Company had no reserves available for distribution to its Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the [REDACTED] on the combined net tangible assets of the Group attributable to the equity owners of our Company as at 30 June 2016 as if the [REDACTED] had taken place on that date.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at 30 June 2016 or as at any future dates.

| | Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 <i>HK\$'000</i> <i>(Note 1)</i> | Add: Estimated net proceeds from the [REDACTED] of [REDACTED] <i>HK\$'000</i> <i>(Note 2)</i> | Unaudited pro forma adjusted combined net tangible assets <i>HK\$'000</i> | Unaudited pro forma adjusted combined net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i> |
|--|--|--|---|---|
| Based on the [REDACTED] of HK\$[REDACTED] per Share | 42,265 | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on the [REDACTED] of HK\$[REDACTED] per Share | 42,265 | [REDACTED] | [REDACTED] | [REDACTED] |

Notes:

1. The audited combined net tangible assets attributable to owners of the Company as at 30 June 2016 are based on audited combined net assets of the Group attributable to owners of the Company as at 30 June 2016 of approximately HK\$42,265,000 as shown in the financial information section of the Accountants' Report set out in Appendix I to this document.
2. The estimated net proceeds from the [REDACTED] are based on the lowest and highest [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses to be borne by the Group (excluding approximately HK\$11,241,000 listing-related expenses which have been accounted for prior to 30 June 2016).

FINANCIAL INFORMATION

3. The unaudited pro forma adjusted combined net tangible assets per Share is determined after the adjustments as described in Notes 1 and 2 above and on the basis that [REDACTED] Shares are issued and outstanding as set out in the section headed "Share Capital" in this document (assuming that the [REDACTED] and the [REDACTED] had been completed on 30 June 2016).
4. The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2016). In particular, in November 2016, interim dividends of HK\$8,900,000 were declared. The unaudited pro forma adjusted combined net tangible assets had not taken into account of the above transaction. 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.

Disclosure relating to Rules 17.15 to 17.21 of the GEM Listing Rules

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

RELATED PARTY TRANSCATIONS

With respect to the related party transactions set out in note 28 to the Accountants' Report contained in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favorable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Subsequent to 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.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business – Business strategies” in this document for our Group’s business objectives and strategies.

IMPLEMENTATION PLAN

Our Group’s implementation plans are set forth below for each of the six-month periods until 30 June 2018. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” in this document. Our Group’s actual course of business may vary from the business objective set out in this document. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Based on our Group’s business objective, our Directors intend to carry out the following implementation plans:

For the period from the Latest Practicable Date to 31 December 2016

- | | | |
|---|---|---|
| Further enhancing our machineries | – | To purchase one set of forklift |
| Further strengthening our manpower | – | To carry out recruitment including one project manager, one engineer, one safety officer, one site agent, one mechanic staff and one office staff |
| Leasing an additional warehouse | – | To carry out preparatory work, including but not limited to site visits and conducting negotiation with relevant landlord and/or estate agent, and enter into tenancy agreement for the warehouse |
| Reserving more capital to satisfy our potential customers’ requirement for performance bond | – | To finance the deposit required for securing performance bond following the award of jobs to us |
| Settlement of finance lease liabilities | – | To repay certain finance leases in an one-off manner ^(Note) |

Note: It refers to the finance lease liabilities which bare interest at flat interest rate ranging from 2.0% to 3.5% per annum, and will mature on or before 31 December 2020.

FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 30 June 2017

| | | |
|---|---|---|
| Further enhancing our machineries | – | To purchase one set of loader and one motor vehicle |
| Further strengthening our manpower | – | To monitor and evaluate the performance of the new recruits |
| Leasing an additional warehouse | – | N/A |
| Reserving more capital to satisfy our potential customers' requirement for performance bond | – | To finance the deposit required for securing performance bond following the award of jobs to us |
| Settlement of finance lease liabilities | – | N/A |

For the period from the Latest Practicable Date to 31 December 2017

| | | |
|---|---|---|
| Further enhancing our machineries | – | To purchase one set of remote controlled demolition robots |
| Further strengthening our manpower | – | To monitor and evaluate the performance of the new recruits |
| Leasing an additional warehouse | – | N/A |
| Reserving more capital to satisfy our potential customers' requirement for performance bond | – | To finance the deposit required for securing performance bond following the award of jobs to us |
| Settlement of finance lease liabilities | – | N/A |

For the period from the Latest Practicable Date to 30 June 2018

| | | |
|------------------------------------|---|---|
| Further enhancing our machineries | – | To purchase one set of forklift and one motor vehicle |
| Further strengthening our manpower | – | To monitor and evaluate the performance of the new recruits |
| Leasing an additional warehouse | – | N/A |

FUTURE PLANS AND USE OF PROCEEDS

| | | |
|---|---|---|
| Reserving more capital to satisfy our potential customers' requirement for performance bond | – | To finance the deposit required for securing performance bond following the award of jobs to us |
| Settlement of finance lease liabilities | – | N/A |

For sizable jobs, we are sometimes required by our potential customers to either: (i) provide performance bonds up to 10% of the total contract sums issued by banks in favour of the customers as security for the due performance and observance of our Group's contractual obligations; or (ii) accept higher amount of retention money being withheld (i.e. up to 15% of the total contract sums for projects without personal guarantee). At present the total amount of retention money of our jobs will not exceed 5% of the contract sum in general. The performance bonds are normally released upon completion of the job as specified in the relevant contract.

Alternatively, our potential customers may require our Controlling Shareholders or Directors to provide performance guarantee in favour of them as security. In order to avoid reliance on our Controlling shareholders and/or Directors, we generally did not, and does not intend to, compete for jobs which require performance guarantees to be given. During the Track Record Period and up to the Latest Practicable Date, our Group has entered into one contract with customer which involved performance guarantee given by Mr. Cheung personally. For details, please refer to the section headed "Relationship with our Controlling Shareholders – Independence of our Group" in this document.

In the past, our Group generally would not compete for such jobs that impose the aforesaid requirements of performance bonds or additional retention money, as they were likely to have an adverse impact on our liquidity and cash flow positions in view of the size of the contract sum. Therefore, we did not have any performance bond issued during the Track Record Period and up to the Latest Practicable Date.

In light of the anticipated growth in our business, it is likely that our Group would encounter more jobs (in particular sizable jobs) that would require us to provide performance bonds as mentioned above. Going forward, in order to maintain our competitiveness and exposure to different jobs in the industry, our Group intends to consider and compete for jobs with the aforesaid requirements, where appropriate.

If given the options by our customers, it would be in the interest of our Group to opt for performance bonds, considering that the deposit required for securing performance bond would generally be smaller in sum than the extra retention money withheld by the customers, and hence the overall impact on our cash flow would be lesser.

The estimated savings in transportation costs compares to the depreciation charges and maintenance costs of each crane lorry to be acquired is approximately HK\$0.6 million annually.

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group's future plans described in this document from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this document.

REASONS FOR THE [REDACTED]

There is no official ranking system in the concrete demolition industry in Hong Kong and Macau and our ability to secure new jobs depends heavily upon our corporate image and reputation as we obtain our business by way of making quotations and/or submitting tenders. As such, our Directors believe that the [REDACTED] will enhance our Group's corporate image and reputation as well as reinforce our position in the market. The [REDACTED] will also serve as an indicator for our potential customers in selecting concrete demolition service providers, further strengthen our position as being one of the established concrete demolition service providers in Hong Kong and Macau, as well as enable us to implement our business plans as set out in this section.

FUTURE PLANS AND USE OF PROCEEDS

Mainly due to overlapping in the work progress of various major jobs and the difficulties in allocating our internal resources among these jobs simultaneously due to the limited capacity of the existing machineries, during the Track Record Period our Group had turned down a total of 292 invitations to tender and requests for quotation by customers, and did not submit any tender or requests at all in response ("**Turned Down Jobs**"). The Company had 143 Turned Down Jobs in total in 2011, 2012 and 2013^(Note).

In considering the submission of the tenders or quotations, our Group has taken into account, among others, (i) the degree of limitation in our service capacity in performing additional jobs concurrently with our existing jobs in view of our own human resources and machineries then available, (ii) the additional costs to be incurred mainly for outsourcing major parts of the works to subcontractors, engaging third party suppliers to provide transportation services and renting machineries, as compared with performing the works with our own internal resources, and (iii) the level of our interest in the relevant jobs in terms of expected profitability and work nature.

Our Directors noted the possibility of performing the Turned Down Jobs by outsourcing major parts of the works to subcontractors, but nevertheless decided that it was not a viable option in view of the potential adverse impact to our overall work quality.

In general, once we are awarded with a job, we will form a project management team which is normally headed by our project manager and comprises at least a general foreman and a safety supervisor staffed by our own employees. Our project management staff play a crucial role in job performance, given that they are responsible for supervising the works of our subcontractors and coordinating with other working parties at the job sites. Therefore, we put priority on ensuring the project management team is equipped with sufficient manpower and resources to closely monitor our jobs.

Based on our then available human resources, if we had competed for the Turned Down Jobs, this would mean that the work capacity of our project management staff would be stretched to the limit. As a result, there were risks that it would significantly reduce the time and attention of our project management staff for each job, and they might fail to properly supervise and manage the works undertaken by us and our subcontractors. Further, during the Track Record Period, we lacked the resources required for implementing the expansion plan in relation to our manpower and machineries. Please refer to the paragraph headed "Business – Business strategies" in this document for further discussion. Therefore, after internal discussions and thorough considerations, our management decided that it was in our long-term interest to refrain from competing for the Turned Down Jobs during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group did not turn down any job which have been awarded to us. It is because prior to submission of any tender or quotation, our Directors would consider those factors listed out in the

Note: In compiling these figures, we have only included the number of formal invitations or requests received by us in writing, without taken into account any enquiries or requests verbally made by customers. It is mainly because generally the information provided verbally to us in such circumstances is preliminary in nature, and, as confirmed by our Directors, it is normal industry practice that contractors would seek quotation or tender from their subcontractors in writing, but not solely by verbal communication.

FUTURE PLANS AND USE OF PROCEEDS

preceding paragraph in assessing our ability to complete the jobs that we are competing for. If our Directors believed that our Group was unlikely to complete the jobs within the expected schedule, or within the estimated budget so as to reach the expected profitability, we would refrain from submitting any tender of quotation, and choose not to respond to the request or invitation at all. Our Directors confirm that this approach is in line with the industry norm, given that: (i) it would be detrimental to our industry reputation and perceived reliability if we decline jobs that have been awarded to us, which in turn may lead to a decrease in the number of future invitation or request we may receive from main contractors; and (ii) the tender or quotation submitted by us, if accepted by the customers, may constitute binding obligations on our part in performing the relevant jobs, and subsequent refusal to undertaking such jobs may give rise to potential claims or legal proceedings against us by customers.

In view of the aforesaid, our Directors believe that, with the expansion in our capacity, including but not limited to acquiring machineries and strengthening our manpower, by applying the net proceeds from the [REDACTED], our Group will be able to respond to more invitations to tender and requests for quotation, as well as to submit tenders or requests at more competitive price based on the sufficiency of our internal resources. This will improve our tender success rate and place us in a better position to cater for the anticipated growth in the demand for our concrete demolition services.

Furthermore, the [REDACTED] and the [REDACTED] will provide us with access to capital market for future corporate finance exercises to assist in our future business development and further strengthen and enhance our competitiveness. In addition, the [REDACTED] will expand and diversify our Shareholders base as it will allow institutional and professional investors in Hong Kong to easily invest in the equity of our Company, thereby establishing a solid institutional and professional shareholders base to the benefit of our Company and Shareholders as a whole. On operational level, our Directors consider that the [REDACTED] will enhance our recruitment strategy to attract more talented staff.

In addition to the above reasons, our Directors decide to proceed with equity financing in the form of [REDACTED] for the purpose of our business expansion instead of debt financing, considering that:

- (i) our Directors consider that it is not feasible to arrange finance leases for each type of machineries we currently plan to acquire after [REDACTED]. Based on our Directors' knowledge and experience, banks and other financial institutions generally offer finance lease facilities in respect of motor vehicles and only limited types of machineries. For machineries such as forklift, loader and remote controlled robot, our Directors believe that we will not be able to obtain finance lease liabilities on commercially acceptable terms, or at all, and hence equity financing is required and necessary to finance the implementation plan of enhancing our machineries. During the Track Record Period, we have acquired machineries and equipment for our operation mainly by way of full payment in cash with our own internal resources. Our Directors consider that the lack of availability in finance leases for certain machineries and equipment have hindered the expansion in our service capacity, and hence limited our business growth;

FUTURE PLANS AND USE OF PROCEEDS

- (ii) banks and other financial institutions generally require borrowers to provide assets as securities for long-term loans. As at 30 June 2016, the carrying amount of our property, plant and equipment was approximately HK\$8.7 million. In view of the amount of assets available for use as securities for loans, our Directors believe that we will not be able to carry out business expansion solely by debt financing since our available assets may not be sufficient to secure the long-term loans required for fully financing our future plans and/or the repayment terms of such loans (including but not limited to covenant obligations and interest rate level) may not be commercially acceptable to us. While our Group may use our trade and other receivables as securities for obtaining financing from bank, based on our enquiries with the bank, the financing available are generally short-term loans which would not be feasible to sustain our business expansion plan for the period up to 30 June 2018;
- (iii) The regular financial reporting requirement under GEM Listing Rules can enable the bank to evaluate and monitor our Group's financial position more effectively and therefore is expected to smoothen the approval process for any future additional bank borrowings. The better accessibility to banking facilities allow us more flexibility in management of the cashflow of our business that can be affected by factors including those set out in the section headed "Risk factors" in this document;
- (iv) if we raise additional funds by incurring debt financing, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected;
- (v) during the Track Record Period, our Group has been financing its acquisition of machineries through finance leases. Our Directors are of the view that such form of debt financing has incurred interest expenses and increased gearing ratio of our Group. As such, going forward we intend to reduce our interest expenses and gearing ratio through equity financing, in order to improve our financial performance; and
- (vi) given the uncertain interest rate movement going forward (which may expose our Group to increasing borrowing costs in the future via debt financing), our Directors believe that our financial performance and liquidity may be negatively affected due to its principal and interest payments, if we proceed with debt financing to fund our business expansion.

As mentioned above, during the Track Record Period, our Group has acquired machineries and equipment for our operation mainly by way of full payment in cash with our own internal resources. However, our Directors consider that it would not be feasible to finance our planned acquisition of additional machineries solely with our internal resources (not including the expected net proceeds from the [REDACTED]). This is mainly because

FUTURE PLANS AND USE OF PROCEEDS

we would only be able to fully utilise the newly acquired machineries for enhancing our service capacity if they are accommodated by an associated expansion in our manpower and storage space as well. Therefore, our Directors consider that our present plans to (a) further enhancing our machineries, (b) further strengthening our manpower and (c) leasing an additional warehouse are mutually complementary, and represent an integral initiative to enhance our capacity to handle multiple jobs simultaneously. Our Directors estimated that the implementation of our entire expansion plan would require a lump sum of approximately HK\$15.6 million and may not be fully financed by our internal resources (not including the expected net proceeds from the [REDACTED]) without creating materially adverse impacts on our financial position and liquidity.

Considering the competitive landscape and business prospect of the concrete demolition industry in Hong Kong and Macau, our Group has contemplated its need for further business expansion prior to the commencement of preparation for the [REDACTED] back in late 2014. As at 31 December 2014, our Group's current ratio was approximately 1.6 times. Based on public information available, our Directors considered that our then current ratio was in line with other comparable private company in the concrete demolition industry. However, in view of the needs for maintaining sufficient operating cashflow, our Directors believed that there was limited room for further expansion without external financing. In view of the reasons as explained in the preceding paragraph regarding (a) the difficulties of arranging finance leases for the machineries we intended to acquire, and (b) the difficulties of providing sufficient securities for long-term loans required for fully financing our expansion plan, our Directors then decided that equity financing would be the preferred way in obtaining external financing for our expansion.

In light of the aforesaid, our Directors have formulated our business expansion plan and hence decided to commence and continue with the preparation for the [REDACTED], based on the unique needs of our Group, in particular:

- the growing number of Turned Down Jobs for the period from 2011 to 2013 and the Track Record Period;
- the need for an overall increase in our service capacity to handle multiple jobs simultaneously through an integral expansion in our machineries, manpower and storage place;
- the general perceived benefits associated with a [REDACTED] status of company in respect of further financing in the future and industry reputation;
- the advantages and feasibility of obtaining funds for our expansion plan through equity financing over debt financing; and
- the possible adverse impacts on our Group from financing our expansion solely with internal resources available.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

Our Directors estimate that the net proceeds from the [REDACTED] (after deducting estimated expenses payable by our Group in connection with the [REDACTED]) will be approximately HK\$[REDACTED] million based on a [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]). It is at present intended that the net proceeds will be applied as follows:

- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for further enhancing our machineries and thus a higher business capacity. We plan to acquire two sets of 14-ton forklift, one set of 85-litre loader^(Note 1), one set of 22-kW remote controlled robot, and two crane lorries, etc. Following the completion of these acquisitions, we expect that our fleet of machineries will include, among others, three sets of forklift of 10-ton or 14-ton, two sets of 85-litre loaders, two sets of 22-kW remote controlled robots and three crane lorries.^(Note 2) Please refer to the section headed "Business – Business Strategies" for details about the proposed usage of such machineries we plan to acquire;
- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for further strengthening our manpower to cope with business expansion. New staff will be hired as project manager, engineer, safety officer, site agent, mechanic and office staff;
- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for leasing an additional warehouse;
- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, as reserve of capital to satisfy our potential customers' requirement for performance bond;
- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for settlement of finance lease liabilities carrying interest at flat rate 3.5% per annum that will mature within five years. Such finance lease liabilities were^(Note 3) incurred to finance our motor vehicles; and
- the balance of approximately HK[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for working capital of our Group.

Notes:

1. As at 30 June 2016, the Company has one set of 10-ton forklift, one set of 85-litre loader, one set of 22-kW remote controlled robot, and one crane lorry.
2. These expected figures are compiled with reference to (i) the number of machines we intended to acquire under our implementation plan, and (ii) the number of relevant machineries we owned as at the Latest Practicable Date, without taking into account of any other machineries we may acquire from time to time based on our business needs from the Latest Practicable Date up to the completion of the implementation plan.

FUTURE PLANS AND USE OF PROCEEDS

3. Our Directors believe that one-off repayment of the finance leases is in the interests of our Group for the following reasons:
- i. one-off repayment of the finance leases would relieve us from monthly repayment of finance leases and the interest expenses incurred thereon. It would in turn increase our operating cashflow for further expansion and allow us to apply the fund in a more effective manner based on our prevailing business needs. Currently, we intend to apply the amount saved from monthly repayment of finance leases and interests expenses thereon for the other purposes set out in the paragraph on a pro-rata basis;
 - ii. since our Group intends to carry out our implementation plan by stages from [REDACTED] up to around mid-2018, there will be certain unutilised proceeds from [REDACTED] at the early stages of our implementation plan. Our Directors are of the view that it would not be in the interest of the Company and its Shareholders to leave the unutilised proceeds idle as short-term deposits, yielding very low bank deposit interest rate return while keeping the finance leases outstanding and bearing the interest rate of 3.5% per annum (flat rate); and
 - iii. our Controlling Shareholders had given personal guarantees in relation to these finance leases which shall be repaid by the net proceeds of the [REDACTED] within the first six months after [REDACTED]. For further details, please refer to “Relationship with our Controlling Shareholders – Financial independence” in this document. Our Directors consider that repayment of these finance leases would reduce the perceived reliance of our Group on our Controlling Shareholders.

The present intended use of net proceeds under different [REDACTED] is summarised as follows:

| | From the Latest Practicable Date to 31 December 2016 <i>HK\$ million</i> | For the period from 1 January 2017 to 30 June 2017 <i>HK\$ million</i> | For the period from 1 July 2017 to 31 December 2017 <i>HK\$ million</i> | For the period from 1 January 2018 to 30 June 2018 <i>HK\$ million</i> | Total <i>HK\$ million</i> | % of net proceeds |
|---|--|---|--|---|------------------------------|----------------------|
| Further enhancing our machineries | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Further strengthening our manpower | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Leasing an additional warehouse | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Reserving more capital to satisfy our potential customers' requirement for performance bond | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Settlement of finance lease liabilities | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Working capital | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Total | <u>[REDACTED]</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> |

FUTURE PLANS AND USE OF PROCEEDS

If the [REDACTED] is set at the high-end of the indicative [REDACTED] range, being HK\$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] will increase by approximately HK\$[REDACTED] million to approximately HK\$[REDACTED] million. In such case, the Company intends to apply the additional net proceeds for the above purposes on a pro-rata basis.

If the [REDACTED] is set at the low-end of the indicative [REDACTED] range, being HK\$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] will decrease by approximately HK\$[REDACTED] million to approximately HK\$[REDACTED] million. In such case, the Company intends to reduce the allocation of such net proceeds for the above purposes on a pro-rata basis.

| Use of proceeds | Approximate amount of net proceeds | | |
|---|---|---|---|
| | [REDACTED] of HK\$[REDACTED] per [REDACTED] <i>HK\$'million</i> | [REDACTED] of HK\$[REDACTED] per [REDACTED] <i>HK\$'million</i> | [REDACTED] of HK\$[REDACTED] per [REDACTED] <i>HK\$'million</i> |
| Further enhancing our machineries | [REDACTED] | [REDACTED] | [REDACTED] |
| Further strengthening our manpower | [REDACTED] | [REDACTED] | [REDACTED] |
| Leasing an additional warehouse | [REDACTED] | [REDACTED] | [REDACTED] |
| Reserving more capital to satisfy our potential customers' requirement for performance bond | [REDACTED] | [REDACTED] | [REDACTED] |
| Settlement of finance lease liabilities | [REDACTED] | [REDACTED] | [REDACTED] |
| Working capital | [REDACTED] | [REDACTED] | [REDACTED] |
| Total | <u>[REDACTED]</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> |

Our Directors consider that the net proceeds to be received by us from the [REDACTED] of about HK\$[REDACTED] million, together with our Group's internal resources and cash flows from operation will be sufficient to finance the business plans of our Group as scheduled up to 30 June 2018.

To the extent that the net proceeds to be received by us from the [REDACTED] are not immediately required for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

UNDERWRITING

UNDERWRITERS

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally [REDACTED] the [REDACTED] with institutional, professional and other investors at the [REDACTED] subject to the terms and conditions in the Underwriting Agreement and this document.

Subject to, among other conditions, the Listing Division of the Stock Exchange granting the [REDACTED] of and permission to [REDACTED] in the Shares in issue and to be issued as mentioned in this document and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have agreed to [REDACTED] for or [REDACTED] or procure [REDACTED] or [REDACTED] for the [REDACTED] on the terms and conditions under the Underwriting Agreement and in this document.

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

Total commission, fee and expenses

In connection with the [REDACTED], the Underwriter will receive an underwriting commission of [REDACTED]% of the aggregate [REDACTED] of all the [REDACTED], out of which they will pay any sub-underwriting commissions and selling concessions.

In connection with the [REDACTED], the Sponsor will receive a sponsorship and documentation sponsor's fee.

In connection with the [REDACTED] and the [REDACTED], the total expenses are estimated to be approximately HK\$25.4 million (including the underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation sponsor's fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the [REDACTED]) which shall be borne by our Company.

Our Company and the executive Directors have agreed to indemnify the Joint Bookrunners, the Joint Lead Managers and the Underwriter for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company.

[REDACTED]

Sponsor's, Joint Lead Managers' and Underwriters' interests in our Company

The Sponsor has been appointed as the compliance adviser of our Company with effect from the [REDACTED] Date until despatch of the audited consolidated financial results for the second full financial year after the [REDACTED], and our Company will pay to the Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Save for their interests and obligations under the Underwriting Agreement, the advisory and documentation fee payable to the Sponsor in respect of the [REDACTED], and the fee payable to the Sponsor for its acting as our compliance adviser, none of the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

[REDACTED]

The Directors
Sing On Holdings Limited
Ample Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Sing On Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 (the "Track Record Period"), for inclusion in the document of the Company dated 29 November 2016 (the "Prospectus") in connection with the proposed [REDACTED] of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 January 2015. Through a corporate reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV "Statutory and General Information" to the Document (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 22 November 2016.

As at the date of this report, the Company has the following wholly-owned subsidiaries:

| Name of subsidiary | Legal form, date and place of incorporation/operations | Issued and fully paid up share capital | Proportion ownership interest held by the Company | Principal activities |
|---|---|--|---|----------------------|
| Platinum Faith Limited ("Platinum Faith") | Limited liability company incorporated on 16 October 2014, the British Virgin Islands (the "BVI") | US\$1,000 | 100% (direct) | Investment holding |

APPENDIX I

ACCOUNTANTS’ REPORT

| Name of subsidiary | Legal form, date and place of incorporation/operations | Issued and fully paid up share capital | Proportion ownership interest held by the Company | Principal activities |
|---|--|--|---|--|
| Alpha Eastern Holdings Limited (“Alpha Eastern Holdings”) | Limited liability company incorporated on 22 January 2016, the BVI | US\$1 | 100% (direct) | Investment holding |
| 景聯混凝土鑽鑿有限公司 (translated as Kingland Concrete Drilling Company Limited) (“Kingland Macau”) | Limited liability company incorporated on 1 March 2006, Macau | MOP25,000 | 100% (indirect) | Provision of concrete demolition services in Macau |
| Kingland (Sino) Company Limited (“Kingland (Sino)”) | Limited liability company incorporated on 16 January 2015, Hong Kong | HK\$3 | 100% (indirect) | Provision of concrete demolition services in Hong Kong |

The financial year end date of the companies now comprising the Group is 31 December.

The principal activities of the Group are the provision of concrete demolition services in Hong Kong (“HK Concrete Demolition Business”) and Macau mainly as subcontractor.

The Group formerly carried out the HK Concrete Demolition Business through Kingland Concrete Drilling Company Limited (“Kingland Concrete”), a limited liability company incorporated in Hong Kong which is controlled by Mr. Chan Yuk Sing (“Mr. Chan”) and Mr. Cheung Shek On (“Mr. Cheung”) (collectively referred to as the “Controlling Parties”). Other than the HK Concrete Demolition Business, Kingland Concrete also holds the interest in 42% of the issued capital of 上海龍鑫建築裝飾工程有限公司 (translated as Shanghai Longxin Construction Decoration Engineering Company Limited) (“Shanghai Longxin”), a company established in the People’s Republic of China (the “PRC”). As part of the Reorganisation, on 26 January 2015, a business transfer agreement (the “Business Transfer Agreement”) was entered into between Kingland Concrete and Kingland (Sino), pursuant to which Kingland Concrete agreed to transfer its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino) (the “Transfer of Business”). As the predecessor and successor companies carry out the HK Concrete Demolition Business have been under the common control of the Controlling Parties throughout the Track Record Period or since their respective date of incorporation where this is a shorter period, the Financial Information has been prepared to present the financial position and operating results of the HK Concrete Demolition Business throughout the Track Record Period as a continuation of existing business from the perspective of the Controlling Parties.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Company has not carried on any business other than those transactions relating to the Reorganisation.

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ACCOUNTANTS' REPORT

No audited statutory financial statements have been prepared for Platinum Faith and Alpha Eastern Holdings since their date of incorporation as they were incorporated in a country where there is no statutory audit requirement.

No audited statutory financial statements have been prepared for Kingland Macau as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The statutory financial statements of Kingland Concrete for the year ended 31 December 2014 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and were audited by Lai Yiu Hong, Certified Public Accountants (Practising), Hong Kong. For the purpose of this report, the directors of Kingland Concrete have prepared the financial statements of Kingland Concrete for the period from 1 January 2015 to 28 February 2015 (date of completion of the Transfer of Business) in accordance with HKFRS issued by the HKICPA (collectively referred to as the "Kingland Concrete Financial Statements").

The statutory financial statements of Kingland (Sino) for the period ended 31 December 2015 which were prepared in accordance with the HKFRS issued by the HKICPA were audited by Roy Lau, Certified Public Accountants (Practising), Hong Kong.

For the purpose of this report, the directors of the Company have prepared the combined financial statements (which include the Kingland Concrete Financial Statements) of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with the HKFRS issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section II below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

APPENDIX I**ACCOUNTANTS' REPORT**

In our opinion, on the basis of presentation set out in Note 1 to Section II below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and 30 June 2016 and of the Company as at 31 December 2015 and 30 June 2016, and of the financial performance and combined cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 30 June 2015 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "30 June 2015 Financial Information"), which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2015 Financial Information 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. Our review consists principally of making enquiries of the Group's management and applying analytical and other review procedures to the 30 June 2015 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRS.

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ACCOUNTANTS' REPORT

I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group as at 31 December 2014 and 2015 and 30 June 2016 and for each of the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, presented on the basis set out in Note 1 of Section II below:

Combined statements of profit or loss and other comprehensive income

| | | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|-------------|--------------------------------------|--------------------------------------|---|---|
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | | (Unaudited) | |
| Revenue | 5 | 117,129 | 120,072 | 51,127 | 60,744 |
| Cost of sales | 6 | <u>(84,842)</u> | <u>(82,006)</u> | <u>(34,489)</u> | <u>(43,035)</u> |
| Gross profit | | 32,287 | 38,066 | 16,638 | 17,709 |
| Other income | 5 | 262 | 87 | 77 | 705 |
| Administrative and other operating expenses | 6 | <u>(19,707)</u> | <u>(19,999)</u> | <u>(8,183)</u> | <u>(14,892)</u> |
| Operating profit | | 12,842 | 18,154 | 8,532 | 3,522 |
| Finance costs | 9 | <u>(366)</u> | <u>(479)</u> | <u>(337)</u> | <u>(148)</u> |
| Profit before income tax | | 12,476 | 17,675 | 8,195 | 3,374 |
| Income tax expense | 10 | <u>(2,200)</u> | <u>(3,478)</u> | <u>(1,251)</u> | <u>(1,337)</u> |
| Profit and total comprehensive income for the year/period attributable to owners of the Company | | <u>10,276</u> | <u>14,197</u> | <u>6,944</u> | <u>2,037</u> |
| Attributable to: | | | | | |
| Owners of the Company | | 9,129 | 14,197 | 6,944 | 2,037 |
| Non-controlling interests | | <u>1,147</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | | <u>10,276</u> | <u>14,197</u> | <u>6,944</u> | <u>2,037</u> |
| Basic and diluted earnings per share | 11 | <u>HK cents 1.81</u> | <u>HK cents 2.82</u> | <u>HK cents 1.38</u> | <u>HK cents 0.40</u> |

Details of dividends are disclosed in Note 12 to the Financial Information.

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ACCOUNTANTS' REPORT

Combined statements of financial position

| | | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 30 June 2016 HK\$'000 |
|--|-------------|--|--|--|
| | <i>Note</i> | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 13 | 7,056 | 7,188 | 8,745 |
| Current assets | | | | |
| Amounts due from customers for contract work | 15 | 753 | 3,568 | 2,891 |
| Trade and other receivables | 16 | 19,693 | 32,708 | 44,453 |
| Amount due from a director | 17 | 5,637 | 6,568 | 7,335 |
| Amount due from a related company | 19 | 1,587 | 1,637 | 1,661 |
| Cash and cash equivalents | 20 | 4,749 | 19,985 | 8,455 |
| | | <u>32,419</u> | <u>64,466</u> | <u>64,795</u> |
| Total assets | | <u>39,475</u> | <u>71,654</u> | <u>73,540</u> |
| EQUITY | | | | |
| Capital and reserves | | | | |
| Combined capital | 21 | 1,225 | 1,348 | 1,323 |
| Other reserves | | 12,625 | 38,905 | 40,942 |
| Total equity | | <u>13,850</u> | <u>40,253</u> | <u>42,265</u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 22 | 4,253 | 2,101 | 2,024 |
| Provision for long service payments | 23 | 813 | 858 | 875 |
| Deferred taxation | 24 | 496 | 589 | 704 |
| | | <u>5,562</u> | <u>3,548</u> | <u>3,603</u> |
| Current liabilities | | | | |
| Amounts due to customers for contract work | 15 | 1,012 | 174 | 820 |
| Trade and other payables | 25 | 13,715 | 18,433 | 17,699 |
| Amount due to a director | 18 | 967 | 3,363 | 2,762 |
| Borrowings | 22 | 1,887 | 1,669 | 1,894 |
| Tax payable | | 2,482 | 4,214 | 4,497 |
| | | <u>20,063</u> | <u>27,853</u> | <u>27,672</u> |
| Total liabilities | | <u>25,625</u> | <u>31,401</u> | <u>31,275</u> |
| Total equity and liabilities | | <u>39,475</u> | <u>71,654</u> | <u>73,540</u> |
| Net current assets | | <u>12,356</u> | <u>36,613</u> | <u>37,123</u> |
| Total assets less current liabilities | | <u>19,412</u> | <u>43,801</u> | <u>45,868</u> |

APPENDIX I**ACCOUNTANTS' REPORT**

Statement of financial position

| | <i>Note</i> | As at 31 December 2015 HK\$'000 | As at 30 June 2016 HK\$'000 |
|--|-------------|--|--|
| Current liabilities | | | |
| Amount due to subsidiary | | <u>(38)</u> | <u>(38)</u> |
| Total liabilities | | <u>(38)</u> | <u>(38)</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | | – | – |
| Other reserves | 30 | <u>(38)</u> | <u>(38)</u> |
| Total equity | | <u>(38)</u> | <u>(38)</u> |
| Total equity and liabilities | | <u>–</u> | <u>–</u> |
| Net current liabilities | | <u>(38)</u> | <u>(38)</u> |
| Total assets less current liabilities | | <u>(38)</u> | <u>(38)</u> |

APPENDIX I

ACCOUNTANTS' REPORT

Combined statements of changes in equity

| | Combined capital HK\$'000 (Note 21) | Other reserves | | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
|---|---|---------------------------|-------------------------------|---------------------------------------|--------------------------|
| | | Share premium HK\$'000 | Retained earnings HK\$'000 | | |
| Balance at 1 January 2014 | 825 | – | 2,440 | 309 | 3,574 |
| Profit and total comprehensive income for the year | – | – | 9,129 | 1,147 | 10,276 |
| Acquisition of non-controlling interests (Note (i)) | 400 | – | 1,056 | (1,456) | – |
| Balance at 31 December 2014 | <u>1,225</u> | <u>–</u> | <u>12,625</u> | <u>–</u> | <u>13,850</u> |
| Balance at 1 January 2015 | 1,225 | – | 12,625 | – | 13,850 |
| Profit and total comprehensive income for the year | – | – | 14,197 | – | 14,197 |
| Interim dividend declared (Note 12) | – | – | (2,800) | – | (2,800) |
| Transfer to share capital upon the Transfer of Business (Note (ii)) | 115 | – | (115) | – | – |
| Shares issued (Note (iii)) | 8 | 14,998 | – | – | 15,006 |
| Balance at 31 December 2015 | <u>1,348</u> | <u>14,998</u> | <u>23,907</u> | <u>–</u> | <u>40,253</u> |
| Balance at 1 January 2016 | 1,348 | 14,998 | 23,907 | – | 40,253 |
| Profit and total comprehensive income for the period | – | – | 2,037 | – | 2,037 |
| Effect of Reorganisation (Note iv) | (25) | – | – | – | (25) |
| Balance at 30 June 2016 | <u>1,323</u> | <u>14,998</u> | <u>25,944</u> | <u>–</u> | <u>42,265</u> |
| (Unaudited) | | | | | |
| Balance at 1 January 2015 | 1,225 | – | 12,625 | – | 13,850 |
| Profit and total comprehensive income for the period | – | – | 6,944 | – | 6,944 |
| Interim dividend declared (Note 12) | – | – | (2,800) | – | (2,800) |
| Transfer to share capital upon the Transfer of Business (Note (ii)) | 115 | – | (115) | – | – |
| Balance at 30 June 2015 | <u>1,340</u> | <u>–</u> | <u>16,654</u> | <u>–</u> | <u>17,994</u> |

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ACCOUNTANTS' REPORT

Notes:

- (i) On 21 November 2014, each of the Controlling Parties acquired 50 shares in Kingland Concrete from the non-controlling interests individual at a consideration of HK\$1.
- (ii) On 28 February 2015, pursuant to the Business Transfer Agreement, Kingland Concrete transferred its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino). In consideration thereof, one fully paid ordinary share was allotted and issued by Kingland (Sino) to each of the Controlling Parties.
- (iii) On 24 December 2015, 250 fully paid shares in Platinum Faith were allotted and issued to Applewood Developments Limited at the consideration of HK\$15,000,000. On the same day, 374 fully paid shares in Platinum Faith were allotted and issued to each of the Controlling Parties at the consideration of US\$374, respectively.
- (iv) On 15 March 2016, Alpha Eastern Holdings acquired the entire equity interest in Kingland Macau from Mr. Mak and Ms. Mak (as instructed by Mr. Cheung and Mr. Chan as beneficial owners), at the nominal consideration of MOP12,500 and MOP12,500, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

Combined statements of cash flows

| | | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|-------------|--------------------------------------|--------------------------------------|---|---|
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | | (Unaudited) | |
| Cash flows from operating activities | | | | | |
| Net cash generated from/(used in) operations | 26 | 10,157 | 8,989 | 778 | (6,611) |
| Tax paid | | <u>(2,978)</u> | <u>(1,653)</u> | <u>(542)</u> | <u>(939)</u> |
| Net cash generated from/(used in) operating activities | | <u>7,179</u> | <u>7,336</u> | <u>236</u> | <u>(7,550)</u> |
| Cash flows from investing activities | | | | | |
| Decrease/(increase) in amount due from a related company | | 4 | (50) | (26) | (24) |
| Increase in amount due from a director | | (4,472) | (2,331) | (494) | (780) |
| Purchases of property, plant and equipment | | (305) | (2,872) | (553) | (1,175) |
| Proceeds from disposal of property, plant and equipment | | <u>185</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Net cash used in investing activities | | <u>(4,588)</u> | <u>(5,253)</u> | <u>(1,073)</u> | <u>(1,979)</u> |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of shares | | – | 15,006 | – | – |
| Increase/(decrease) in amount due to a director | | 987 | 996 | 618 | (613) |
| Repayment of finance leases | | (2,117) | (2,370) | (1,577) | (1,240) |
| Interest paid on finance leases | | <u>(366)</u> | <u>(479)</u> | <u>(337)</u> | <u>(148)</u> |
| Net cash (used in)/generated from financing activities | | <u>(1,496)</u> | <u>13,153</u> | <u>(1,296)</u> | <u>(2,001)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 1,095 | 15,236 | (2,133) | (11,530) |
| Cash and cash equivalents at beginning of year/period | | <u>3,654</u> | <u>4,749</u> | <u>4,749</u> | <u>19,985</u> |
| Cash and cash equivalents at end of year/period | 20 | <u>4,749</u> | <u>19,985</u> | <u>2,616</u> | <u>8,455</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 January 2015 as an exempted company with limited liability. The addresses of the registered office and the principal place of business of the Company 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 the provision of concrete demolition services in Hong Kong and Macau mainly as a subcontractor.

In preparation for the [REDACTED] of the Company’s shares on the GEM of the Stock Exchange, the Group underwent the Reorganisation which mainly involved interspersing shell entities and transferring the HK Concrete Demolition Business from Kingland Concrete to Kingland (Sino), which is also under the common control of the Controlling Parties. On 26 January 2015, Kingland (Sino) entered into the Business Transfer Agreement with Kingland Concrete, pursuant to which Kingland Concrete ceased the HK Concrete Demolition Business and transferred the HK Concrete Demolition Business to Kingland (Sino) on 28 February 2015. All assets and liabilities of Kingland Concrete were transferred to Kingland (Sino), except the interest in 42% of the issued share capital of Shanghai Longxin which are retained by Kingland Concrete after the Transfer of Business.

Throughout the Track Record Period, the business was under the control of the Controlling Parties. Through the Reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix IV “Statutory and General Information” to the Document, the Company became the holding company of the companies now comprising the Group on 22 November 2016. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the Controlling Parties prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the business of the Group, have been prepared as if the business had always been operated by the Group and 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 the respective reporting dates have been prepared to present the assets and liabilities of the business of the Group as if the business had always been operated by the Group and the current group structure had been in existence at those dates taking into account the respective date of incorporation, where applicable.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of presentation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the HKFRS issued by the HKICPA are set out below. The Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

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The preparation of the Financial Information in accordance 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 Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

| | | Effective for accounting periods of the Group beginning on or after |
|---------------------------------------|--|--|
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |
| Amendments to HKAS 7 | Disclosure Initiative | 1 January 2017 |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | A date to be determined |

HKFRS 15 Revenue from contracts with customers

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The Group is assessing the impact of HKFRS 15; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these Financial Information. The directors of the Company anticipate that the application of HKFRS 16 in the future will have an impact on the Group's financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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The directors of the Company anticipate that the application of the other new standards and amendments will have no material impact on the Financial Information of the Group.

(b) Consolidation and combination

The combined financial information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Merger accounting for common control combinations

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities

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over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The combined statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Financial Information is presented in HK\$, which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(g) Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|------------------------|-----|
| Plant and machinery | 25% |
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Motor vehicles | 20% |

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statement of profit or loss and other comprehensive income.

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(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(j) Construction contracts in progress

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(k) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from a director", "amount due from a related company" and "cash and cash equivalents" in the combined statement of financial position.

(l) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of

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one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(m) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

In the combined statement of cash flow, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

(r) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Employee benefits

(i) Employee leave entitlements

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 statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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(ii) *Retirement benefits*

The Group operates a defined contribution plan and pays contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) *Bonus plans*

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(u) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

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(w) 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. Revenue is shown after eliminating sales within the Group.

(a) Provision of concrete demolition service

Revenue from provision of concrete demolition services is recognised based on the stage of completion of the jobs, provided that the stage of jobs completion and the gross billing value of the jobs can be measured reliably. Progress billing is made according to the stage of job completion by reference to the work done as reviewed and approved by the customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

(b) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(x) Related parties

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 that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or of a parent of the Group.

or

- (b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);
 - (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;
 - (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 key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial information in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group does not expose to cash flow interest rate risk arising from its borrowings as the Group's finance lease liabilities are at fixed interest rates. The Group currently does not hedge its exposure to the interest rate risk as the management of the Group consider that the risk is insignificant.

(ii) Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from purchases by operating units in currencies other than the units' functional currencies. Some of our purchases, such as those of certain consumables and machinery parts that are imported from places outside Hong Kong, are denominated in currencies other than Hong Kong dollars, such as US\$, MOP and RMB. For each of the two years ended 31 December 2014 and 2015 and six months ended 30 June 2016, our purchases denominated in currencies other than Hong Kong dollars amounted to approximately HK\$8.5 million, HK\$4.0 million and HK\$2.8 million respectively, representing approximately 26.3%, 12.0% and 19.0% of our total purchases of the respective years/period. As the management of the Group consider that the foreign currency risk is insignificant, they do not engage in any hedging activity.

As at 31 December 2014 and 2015 and 30 June 2016, if HK\$ had weakened/strengthened by 5% against the MOP with all other variables held constant, the Group's profit after income tax for the year would have been increased/decreased by approximately HK\$3,000, HK\$4,000 and HK\$1,000 respectively, mainly as a result of forward exchange gains/losses on translation of MOP denominated trade payables and forward exchange losses/gains on translation of MOP denominated cash at banks.

(iii) Credit risk

Credit risk arises mainly from trade and other receivables, amount due from a director, amount due from a related company and cash at banks. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

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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.

As at 31 December 2014 and 2015 and 30 June 2016, there were 2, 4 and 2 customers which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amount of trade and other receivables from these customers amounted to 59%, 55% and 35% of the Group's total trade and other receivables as at 31 December 2014 and 2015 and 30 June 2016 respectively.

(iv) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient cash and cash equivalents to fund their operations.

The following table details the remaining contractual maturities at the year/period end dates during the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year/period end dates during the Track Record Period) and the earliest date the Group may be required to pay:

| | On demand or within one year HK\$'000 | Between one and two years HK\$'000 | Between two and five years HK\$'000 | Total HK\$'000 |
|--------------------------|--|---|--|---------------------------|
| At 31 December 2014 | | | | |
| Trade and other payables | 13,715 | – | – | 13,715 |
| Amount due to a director | 967 | – | – | 967 |
| Borrowings | 2,173 | 1,825 | 2,674 | 6,672 |
| | <u>16,855</u> | <u>1,825</u> | <u>2,674</u> | <u>21,354</u> |
| At 31 December 2015 | | | | |
| Trade and other payables | 18,433 | – | – | 18,433 |
| Amount due to a director | 3,363 | – | – | 3,363 |
| Borrowings | 1,867 | 1,867 | 321 | 4,055 |
| | <u>23,663</u> | <u>1,867</u> | <u>321</u> | <u>25,851</u> |
| At 30 June 2016 | | | | |
| Trade and other payables | 17,699 | – | – | 17,699 |
| Amount due to a director | 2,762 | – | – | 2,762 |
| Borrowings | 2,064 | 1,512 | 594 | 4,170 |
| | <u>22,525</u> | <u>1,512</u> | <u>594</u> | <u>24,631</u> |

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(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year/period end divided by the total equity as at each year/period end.

The gearing ratios during the Track Record Period are as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 30 June 2016 HK\$'000 |
|-------------------------------------|--|--|--------------------------------------|
| Total borrowings (<i>Note 22</i>) | 6,140 | 3,770 | 3,918 |
| Total equity | <u>13,850</u> | <u>40,253</u> | <u>42,265</u> |
| Gearing ratio | <u>44%</u> | <u>9%</u> | <u>9%</u> |

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 addressed below.

(a) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

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(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

5 REVENUE AND SEGMENT INFORMATION

Revenue and other income recognised during the respective years/periods are as follows:

| | Year ended 31 December 2014 HK\$'000 | Year ended 31 December 2015 HK\$'000 | Six months ended 30 June 2015 HK\$'000 (Unaudited) | Six months ended 30 June 2016 HK\$'000 |
|--|---|---|---|--|
| Revenue | | | | |
| Provision of concrete demolition services | <u>117,129</u> | <u>120,072</u> | <u>51,127</u> | <u>60,744</u> |
| Other income | | | | |
| Sundry income | 77 | 87 | 77 | 26 |
| Gain on disposal of property, plant and equipment | <u>185</u> | <u>–</u> | <u>–</u> | <u>679</u> |
| | <u>262</u> | <u>87</u> | <u>77</u> | <u>705</u> |

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews Financial Information accordingly.

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Geographical information

The Group primarily operates in Hong Kong and Macau, and its revenue is derived from the following regions:

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|---|--|--|--|---|
| Revenue (by location of customers) | | | | |
| – Hong Kong | 61,344 | 108,432 | 40,685 | 56,243 |
| – Macau | <u>55,785</u> | <u>11,640</u> | <u>10,442</u> | <u>4,501</u> |
| | <u>117,129</u> | <u>120,072</u> | <u>51,127</u> | <u>60,744</u> |

Revenue from customers during the relevant periods contributing over 10% of the total revenue of the Group is as follows:

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|------------|--|--|--|---|
| Customer A | 53,400 | N/A ¹ | 7,205 | N/A ¹ |
| Customer B | 34,845 | N/A ¹ | N/A ¹ | 13,299 |
| Customer C | N/A ¹ | 24,672 | 9,494 | N/A ¹ |
| Customer D | N/A ¹ | 16,932 | N/A ¹ | N/A ¹ |
| Customer E | N/A ¹ | N/A ¹ | N/A ¹ | 13,539 |
| Customer F | N/A ¹ | N/A ¹ | 10,034 | N/A ¹ |

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant periods.

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6 EXPENSES BY NATURE

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|---|--|--|--|---|
| Cost of sales | | | | |
| Depreciation of owned assets (<i>Note 13</i>) | 732 | 881 | 393 | 581 |
| Depreciation of assets under finance lease (<i>Note 13</i>) | 188 | – | – | – |
| Fuel and oil | 1,024 | 491 | 165 | 345 |
| Machinery rental cost | 4,847 | 8,126 | 1,725 | 2,942 |
| Motor vehicles expense | 597 | 682 | 281 | 335 |
| Repairs and maintenance | 314 | 329 | 235 | 102 |
| Materials and consumables | 19,640 | 14,581 | 8,190 | 7,740 |
| Staff costs (<i>Note 7</i>) | 24,200 | 20,150 | 9,210 | 12,246 |
| Subcontracting charges | 27,426 | 27,576 | 12,177 | 15,497 |
| Transportation | 5,229 | 8,362 | 1,914 | 2,761 |
| Other direct costs | 645 | 828 | 199 | 486 |
| | <u>84,842</u> | <u>82,006</u> | <u>34,489</u> | <u>43,035</u> |
| Administrative and other operating expenses | | | | |
| Auditors' remuneration | 50 | 50 | – | – |
| Building management fee | 101 | 102 | 54 | 67 |
| Depreciation of owned assets (<i>Note 13</i>) | 5 | 295 | 162 | 271 |
| Depreciation of assets under finance lease (<i>Note 13</i>) | 1,898 | 1,564 | 782 | 833 |
| Entertainment | 1,730 | 1,348 | 747 | 1,387 |
| Written off of an amount due from a related party | 733 | – | – | – |
| Insurance | 999 | 940 | 432 | 423 |
| Legal and professional fees | 1,811 | 160 | 22 | – |
| Listing expenses | 1,733 | 4,412 | 613 | 5,096 |
| Operating lease rental on premises | 1,874 | 2,085 | 1,037 | 1,056 |
| Staff costs, including directors' emoluments (<i>Note 7</i>) | 6,424 | 7,375 | 3,495 | 4,495 |
| Travelling | 255 | 110 | 83 | 59 |
| Other expenses | 2,094 | 1,558 | 756 | 1,205 |
| | <u>19,707</u> | <u>19,999</u> | <u>8,183</u> | <u>14,892</u> |

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7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS’ EMOLUMENTS

| | Year ended 31 December 2014 <i>HK\$’000</i> | Year ended 31 December 2015 <i>HK\$’000</i> | Six months ended 30 June 2015 <i>HK\$’000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$’000</i> |
|--|--|--|--|--|
| Salaries and allowances | 29,775 | 26,577 | 12,280 | 16,155 |
| Retirement scheme contributions – defined contribution plan | <u>849</u> | <u>948</u> | <u>425</u> | <u>586</u> |
| | <u><u>30,624</u></u> | <u><u>27,525</u></u> | <u><u>12,705</u></u> | <u><u>16,741</u></u> |

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund (“MPF”) Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

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8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

| | Fee HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Discretionary bonuses HK\$'000 | Retirement scheme contributions HK\$'000 | Total HK\$'000 |
|---------------------------------|-----------------|--|--------------------------------------|---|-------------------|
| Year ended | | | | | |
| 31 December 2014 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Chan | – | 707 | 100 | 17 | 824 |
| Mr. Cheung | – | 1,062 | 100 | 17 | 1,179 |
| | – | 1,769 | 200 | 34 | 2,003 |
| Year ended | | | | | |
| 31 December 2015 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Chan | – | 600 | 100 | 18 | 718 |
| Mr. Cheung | – | 1,075 | 100 | 18 | 1,193 |
| | – | 1,675 | 200 | 36 | 1,911 |
| Six months ended 30 June | | | | | |
| 2016 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Chan | – | 369 | – | 9 | 378 |
| Mr. Cheung | – | 607 | – | 9 | 616 |
| | – | 976 | – | 18 | 994 |
| Six months ended 30 June | | | | | |
| 2015 (Unaudited) | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Chan | – | 300 | – | 9 | 309 |
| Mr. Cheung | – | 538 | – | 9 | 547 |
| | – | 838 | – | 18 | 856 |

Mr. Chan and Mr. Cheung were appointed as executive directors of the Company on 5 January 2015. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Kuan Hong Kin Daniel was appointed as non-executive director of the Company on 30 August 2016. During the Track Record Period, the non-executive director has not yet been appointed and received nil director's remuneration in the capacity of director.

Mr. Chan Ngai Sang Kenny, Mr. Chow Chun To and Mr. Yam Chiu Fan Joseph were appointed as independent non-executive directors of the Company on 22 November 2016. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

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During the Track Record Period, 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 during the Track Record Period.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, 2 of them are directors for the years ended 31 December 2014 and 2015 and six months ended 30 June 2015 and 2016 whose emoluments are disclosed above. The emoluments in respect of the remaining 3 individuals for the years ended 31 December 2014 and 2015 and six months ended 30 June 2015 and 2016 are as follows:

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|---------------------------------|--|--|--|---|
| Salaries and allowances | 2,297 | 2,505 | 1,063 | 1,274 |
| Discretionary bonuses | 343 | 300 | – | – |
| Retirement scheme contributions | 39 | 54 | 27 | 27 |
| | <u>2,679</u> | <u>2,859</u> | <u>1,090</u> | <u>1,301</u> |

The emoluments fell within the following band:

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Number of individuals Six months ended 30 June 2015 (Unaudited) | Six months ended 30 June 2016 |
|-------------------------------|-----------------------------------|-----------------------------------|--|--|
| Emoluments band (in HK\$) | | | | |
| Nil – HK\$1,000,000 | 3 | 2 | 3 | 3 |
| HK\$1,000,001 – HK\$1,500,000 | – | 1 | – | – |

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

9 FINANCE COSTS

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|----------------------------|--|--|--|---|
| Interest on finance leases | <u>366</u> | <u>479</u> | <u>337</u> | <u>148</u> |

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10 INCOME TAX EXPENSE

For the years ended 31 December 2014 and 2015 and six months ended 30 June 2015 and 2016, Hong Kong profits tax has been provided at the rate of 16.5% and Macau profits tax has been provided at the rate of 12% on the estimated assessable profit arising in or derived from the jurisdictions in which the entities operate for the year/period.

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|--|--|--|--|---|
| Current tax | | | | |
| Hong Kong | | | | |
| – Current year/period | 798 | 2,801 | 1,081 | 1,193 |
| – Under-provision in prior year/period | – | 13 | 13 | – |
| | <u>798</u> | <u>2,814</u> | <u>1,094</u> | <u>1,193</u> |
| Macau | | | | |
| – Current year/period | <u>1,374</u> | <u>571</u> | <u>480</u> | <u>29</u> |
| Deferred tax (Note 24) | <u>28</u> | <u>93</u> | <u>(323)</u> | <u>115</u> |
| Income tax expense | <u><u>2,200</u></u> | <u><u>3,478</u></u> | <u><u>1,251</u></u> | <u><u>1,337</u></u> |

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|---|--|--|--|---|
| Profit before income tax | <u>12,476</u> | <u>17,675</u> | <u>8,195</u> | <u>3,374</u> |
| Calculated at a tax rate of 16.5% | 2,058 | 2,916 | 1,352 | 557 |
| Expenses not deductible for tax purposes | 707 | 896 | 199 | 890 |
| Temporary differences not recognised | – | (44) | (44) | – |
| Tax concession | (36) | (76) | (76) | (72) |
| Effect of different tax rate of group entity operating in jurisdiction other than Hong Kong | (529) | (227) | (193) | (38) |
| Adjustment in respect of prior year/period | <u>–</u> | <u>13</u> | <u>13</u> | <u>–</u> |
| Income tax expense | <u><u>2,200</u></u> | <u><u>3,478</u></u> | <u><u>1,251</u></u> | <u><u>1,337</u></u> |

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11 EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of [REDACTED] shares (comprising 1,000 shares in issue and [REDACTED] shares to be issued under the [REDACTED] as described in Appendix IV "Statutory and General Information" to the Document) as if these [REDACTED] shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the Track Record Period.

12 DIVIDENDS

| | Year ended 31 December 2014 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> | Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited) | Six months ended 30 June 2016 <i>HK\$'000</i> |
|------------------|--|--|--|---|
| Interim dividend | — | 2,800 | 2,800 | — |

No dividend has been paid or declared by the Company since its incorporation. The above amount represented the dividends paid by Kingland Concrete to their then equity holders prior to the Reorganisation. Such interim dividend has been settled by current accounts with the directors.

Subsequent to the year ended 31 December 2015, in November 2016, interim dividends of HK\$8,900,000 were appropriated to the then shareholders of the Company.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

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13 PROPERTY, PLANT AND EQUIPMENT

| | Plant and machinery <i>HK\$'000</i> <i>(Note a)</i> | Furniture and fixtures <i>HK\$'000</i> | Office equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> <i>(Note b)</i> | Total <i>HK\$'000</i> |
|---------------------------------------|--|--|--|---|---------------------------------|
| Cost | | | | | |
| At 1 January 2014 | 11,226 | 810 | 201 | 7,628 | 19,865 |
| Additions | – | – | – | 2,874 | 2,874 |
| Disposals | – | – | – | (657) | (657) |
| At 31 December 2014 | <u>11,226</u> | <u>810</u> | <u>201</u> | <u>9,845</u> | <u>22,082</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2014 | 9,277 | 805 | 201 | 2,577 | 12,860 |
| Charge for the year <i>(Note 6)</i> | 920 | 5 | – | 1,898 | 2,823 |
| Disposals | – | – | – | (657) | (657) |
| At 31 December 2014 | <u>10,197</u> | <u>810</u> | <u>201</u> | <u>3,818</u> | <u>15,026</u> |
| Net book value | | | | | |
| At 31 December 2014 | <u>1,029</u> | <u>–</u> | <u>–</u> | <u>6,027</u> | <u>7,056</u> |
| Cost | | | | | |
| At 1 January 2015 | 11,226 | 810 | 201 | 9,845 | 22,082 |
| Additions | 2,728 | 107 | 37 | – | 2,872 |
| Disposals | – | (810) | (201) | – | (1,011) |
| At 31 December 2015 | <u>13,954</u> | <u>107</u> | <u>37</u> | <u>9,845</u> | <u>23,943</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2015 | 10,197 | 810 | 201 | 3,818 | 15,026 |
| Charge for the year <i>(Note 6)</i> | 881 | 4 | 1 | 1,854 | 2,740 |
| Disposals | – | (810) | (201) | – | (1,011) |
| At 31 December 2015 | <u>11,078</u> | <u>4</u> | <u>1</u> | <u>5,672</u> | <u>16,755</u> |
| Net book value | | | | | |
| At 31 December 2015 | <u>2,876</u> | <u>103</u> | <u>36</u> | <u>4,173</u> | <u>7,188</u> |
| Cost | | | | | |
| At 1 January 2016 | 13,954 | 107 | 37 | 9,845 | 23,943 |
| Additions | 730 | – | – | 2,523 | 3,253 |
| Disposals | – | – | – | (1,228) | (1,228) |
| At 30 June 2016 | <u>14,684</u> | <u>107</u> | <u>37</u> | <u>11,140</u> | <u>25,968</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2016 | 11,078 | 4 | 1 | 5,672 | 16,755 |
| Charge for the period <i>(Note 6)</i> | 581 | 13 | 4 | 1,087 | 1,685 |
| Disposals | – | – | – | (1,217) | (1,217) |
| At 30 June 2016 | <u>11,659</u> | <u>17</u> | <u>5</u> | <u>5,542</u> | <u>17,223</u> |
| Net book value | | | | | |
| At 30 June 2016 | <u>3,025</u> | <u>90</u> | <u>32</u> | <u>5,598</u> | <u>8,745</u> |

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Notes:

- (a) Plant and machinery includes the following amounts where the Group is a lessee under finance leases:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 30 June 2016 HK\$'000 |
|-----------------------------------|--|--|--------------------------------------|
| Cost – capitalised finance leases | 750 | – | – |
| Accumulated depreciation | (281) | – | – |
| Net book value | 469 | – | – |

- (b) Motor vehicles include the following amounts where the Group is a lessee under finance leases:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 30 June 2016 HK\$'000 |
|-----------------------------------|--|--|--------------------------------------|
| Cost – capitalised finance leases | 9,845 | 7,818 | 8,472 |
| Accumulated depreciation | (3,818) | (3,788) | (3,627) |
| Net book value | 6,027 | 4,030 | 4,845 |

14 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 30 June 2016 HK\$'000 |
|---|--|--|--------------------------------------|
| Financial assets | | | |
| <u>Loans and receivables</u> | | | |
| Trade and other receivables excluding prepayments | 18,497 | 30,363 | 39,428 |
| Amount due from a director | 5,637 | 6,568 | 7,335 |
| Amount due from a related company | 1,587 | 1,637 | 1,661 |
| Cash and cash equivalents | 4,749 | 19,985 | 8,455 |
| Total | 30,470 | 58,553 | 56,879 |
| Financial liabilities | | | |
| <u>Financial liabilities at amortised cost</u> | | | |
| Trade and other payables | 13,715 | 18,433 | 17,699 |
| Amount due to a director | 967 | 3,363 | 2,762 |
| Finance lease liabilities | 6,140 | 3,770 | 3,918 |
| Total | 20,822 | 25,566 | 24,379 |

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15 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|--|---|---|---|
| Amounts due from customers for contract work: | | | |
| Contract costs incurred plus recognised profits less recognised losses | 54,758 | 95,341 | 69,150 |
| Less: Progress billings received and receivables | <u>(54,005)</u> | <u>(91,773)</u> | <u>(66,259)</u> |
| | <u>753</u> | <u>3,568</u> | <u>2,891</u> |
| Amounts due to customers for contract work: | | | |
| Progress billings received and receivables | 64,534 | 4,636 | 4,452 |
| Less: Contracts costs incurred plus recognised profits less recognised losses | <u>(63,522)</u> | <u>(4,462)</u> | <u>(3,632)</u> |
| | <u>1,012</u> | <u>174</u> | <u>820</u> |

16 TRADE AND OTHER RECEIVABLES

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|---|---|---|---|
| Contract receivables | 8,754 | 19,240 | 23,774 |
| Retention receivables | <u>8,708</u> | <u>9,971</u> | <u>12,725</u> |
| Total trade receivables | 17,462 | 29,211 | 36,499 |
| Other receivables, deposits and prepayments | <u>2,231</u> | <u>3,497</u> | <u>7,954</u> |
| | <u>19,693</u> | <u>32,708</u> | <u>44,453</u> |

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is ranged from 14 to 60 days. Trade receivables are mainly usual denominated in HK\$.

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- (b) The ageing analysis of the contract receivables based on invoice date is as follows:

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|---------------|---|---|---|
| 0-30 days | 4,393 | 4,202 | 9,207 |
| 31-60 days | 3,479 | 4,852 | 10,300 |
| 61-90 days | 397 | 2,460 | 1,406 |
| 91-365 days | 260 | 7,350 | 2,495 |
| Over 365 days | 225 | 376 | 366 |
| | <u>8,754</u> | <u>19,240</u> | <u>23,774</u> |

Contract receivables of approximately HK\$4,393,000, HK\$15,013,000 and HK\$9,429,000 as at 31 December 2014 and 2015 and 30 June 2016 respectively, were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|---------------|---|---|---|
| 0-30 days | 3,786 | 3,585 | 5,221 |
| 31-60 days | 6 | 3,471 | 1,341 |
| 61-90 days | 121 | 4,789 | 474 |
| 91-365 days | 255 | 2,806 | 2,027 |
| Over 365 days | 225 | 362 | 366 |
| | <u>4,393</u> | <u>15,013</u> | <u>9,429</u> |

Retention receivables were not yet past due as at 31 December 2014 and 2015 and 30 June 2016, and were settled in accordance with the terms of respective contract.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

17 AMOUNT DUE FROM A DIRECTOR

Particulars of amount due from a director are as follows:

| Name | As at 31 December 2014 <i>HK\$'000</i> | Maximum balance outstanding during the year ended 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | Maximum balance outstanding during the year ended 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> | Maximum balance outstanding during the period ended 30 June 2016 <i>HK\$'000</i> |
|----------|---|---|---|---|---|--|
| Mr. Chan | <u>5,637</u> | 5,656 | <u>6,568</u> | 7,968 | <u>7,335</u> | 7,335 |

The balance is denominated in HK\$. The amount due from a director was unsecured, non-interest bearing and had no fixed terms of repayment.

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18 AMOUNT DUE TO A DIRECTOR

Particulars of amount due to a director are as follows:

| Name | As at | As at | As at |
|------------|------------------|------------------|--------------|
| | 31 December 2014 | 31 December 2015 | 30 June 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Mr. Cheung | 967 | 3,363 | 2,762 |

The balance is denominated in HK\$. The amount due to a director was unsecured, non-interest bearing and had no fixed terms of repayment.

19 AMOUNT DUE FROM A RELATED COMPANY

Particulars of amount due from a related company are as follows:

| Name of company | Interested director | As at | Maximum balance outstanding during the year ended | As at | Maximum balance outstanding during the year ended | As at | Maximum balance outstanding during the period ended |
|----------------------|-------------------------|------------------|---|------------------|---|--------------|---|
| | | 31 December 2014 | 31 December 2014 | 31 December 2015 | 31 December 2015 | 30 June 2016 | 30 June 2016 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Yuet Tung Trading Co | Mr. Chan and Mr. Cheung | 1,587 | 1,587 | 1,637 | 1,637 | 1,661 | 1,661 |

The balance is denominated in HK\$. The amount was unsecured, non-interest bearing and had no fixed terms of repayment.

20 CASH AND CASH EQUIVALENTS

| | As at | As at | As at |
|---------------------------|------------------|------------------|--------------|
| | 31 December 2014 | 31 December 2015 | 30 June 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash at banks | 4,749 | 19,985 | 8,455 |
| Cash and cash equivalents | 4,749 | 19,985 | 8,455 |

Notes:

- (a) The carrying amounts of the cash and cash equivalents were denominated in the following currencies:

| | As at | As at | As at |
|------|------------------|------------------|--------------|
| | 31 December 2014 | 31 December 2015 | 30 June 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| HK\$ | 4,680 | 19,969 | 8,364 |
| MOP | 69 | 16 | 91 |
| | 4,749 | 19,985 | 8,455 |

- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

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21 COMBINED CAPITAL

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|------------------|---|---|---|
| Combined capital | <u>1,225</u> | <u>1,348</u> | <u>1,323</u> |

For the purpose of the preparation of the combined statement of financial position, the balance of combined capital at 31 December 2014 and 2015 and 30 June 2016 represents the aggregate of the paid up share capital of the entities comprising the Group prior to the Reorganisation.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 5 January 2015 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and two shares were issued thereafter.

22 BORROWINGS

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|---|---|---|---|
| Non-current | | | |
| Finance lease liabilities (<i>Note a</i>) | <u>4,253</u> | <u>2,101</u> | <u>2,024</u> |
| Current | | | |
| Finance lease liabilities (<i>Note a</i>) | <u>1,887</u> | <u>1,669</u> | <u>1,894</u> |
| Total borrowings | <u><u>6,140</u></u> | <u><u>3,770</u></u> | <u><u>3,918</u></u> |

Notes:

- (a) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|--|---|---|---|
| Gross finance lease liabilities – minimum lease payments | | | |
| Within 1 year | 2,173 | 1,867 | 2,064 |
| Later than 1 year and no later than 2 years | 1,825 | 1,867 | 1,512 |
| Later than 2 years and no later than 5 years | <u>2,674</u> | <u>321</u> | <u>594</u> |
| | 6,672 | 4,055 | 4,170 |
| Future finance charges on finance leases | <u>(532)</u> | <u>(285)</u> | <u>(252)</u> |
| Present value of finance lease liabilities | <u><u>6,140</u></u> | <u><u>3,770</u></u> | <u><u>3,918</u></u> |

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The present value of finance lease liabilities is as follows:

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|--|---|---|---|
| Within 1 year | 1,887 | 1,669 | 1,894 |
| Later than 1 year and no later than 2 years | 1,685 | 1,782 | 1,455 |
| Later than 2 years and no later than 5 years | <u>2,568</u> | <u>319</u> | <u>569</u> |
| | <u>6,140</u> | <u>3,770</u> | <u>3,918</u> |

The Group's machinery with aggregate net book value of approximately HK\$469,000, HK\$Nil and HK\$Nil as at 31 December 2014 and 2015 and 30 June 2016 respectively (Note 13) are secured as the rights to the leased assets revert to the lessors in the event of default.

The Group's motor vehicles with aggregate net book value of approximately HK\$6,027,000, HK\$4,030,000 and HK\$4,845,000 as at 31 December 2014 and 2015 and 30 June 2016 respectively (Note 13) are secured as the rights to the leased assets revert to the lessors in the event of default.

The carrying amounts of all finance lease liabilities are denominated mainly in HK\$.

- (b) As at 31 December 2014, the Group had committed finance lease facilities of approximately HK\$6,140,000 which bore interest at 1.75% to 4.5% per annum.

As at 31 December 2015, the Group had committed finance lease facilities of approximately HK\$3,770,000 which bore interest at 3.5% per annum.

As at 30 June 2016, the Group had committed finance lease facilities of approximately HK\$3,918,000 which bore interest at 2.0% to 3.5% per annum.

23 PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash at banks when such payments are required. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of each of the reporting period.

| | |
|----------------------------|-----------------|
| | <i>HK\$'000</i> |
| At 1 January 2014 | 844 |
| Credited to profit or loss | <u>(31)</u> |
| At 31 December 2014 | 813 |
| Charged to profit or loss | <u>45</u> |
| At 31 December 2015 | 858 |
| Charged to profit or loss | <u>17</u> |
| At 30 June 2016 | <u>875</u> |

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24 DEFERRED TAXATION

The movements in deferred tax liabilities during the Track Record Period are as follows:

| | Accelerated tax depreciation <i>HK\$'000</i> |
|--|--|
| At 1 January 2014 | 468 |
| Charged to profit or loss (<i>Note 10</i>) | <u>28</u> |
| At 31 December 2014 | 496 |
| Charged to profit or loss (<i>Note 10</i>) | <u>93</u> |
| At 31 December 2015 | 589 |
| Charged to profit or loss (<i>Note 10</i>) | <u>115</u> |
| At 30 June 2016 | <u><u>704</u></u> |

25 TRADE AND OTHER PAYABLES

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|-----------------------------|--|--|--|
| Trade payables | 2,938 | 10,006 | 13,706 |
| Accruals and other payables | <u>10,777</u> | <u>8,427</u> | <u>3,993</u> |
| | <u><u>13,715</u></u> | <u><u>18,433</u></u> | <u><u>17,699</u></u> |

Notes:

- (a) Payment terms granted by suppliers/subcontractors are ranged from 15 to 90 days from the invoice date of the relevant purchases. However, the majority of credit terms granted are 30 days.

The ageing analysis of trade payables based on the invoice date is as follows:

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 30 June 2016 <i>HK\$'000</i> |
|--------------|--|--|--|
| 0-30 days | 1,011 | 3,461 | 9,522 |
| 31-60 days | 571 | 2,192 | 1,302 |
| 61-90 days | 390 | 1,944 | 1,156 |
| Over 90 days | <u>966</u> | <u>2,409</u> | <u>1,726</u> |
| | <u><u>2,938</u></u> | <u><u>10,006</u></u> | <u><u>13,706</u></u> |

- (b) All trade and other payables are denominated in HK\$.

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26 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from/(used in) operations

| | Year ended 31 December 2014 HK\$'000 | Year ended 31 December 2015 HK\$'000 | Six months ended 30 June 2015 HK\$'000 (Unaudited) | Six months ended 30 June 2016 HK\$'000 |
|---|---|---|---|--|
| Profit before income tax | 12,476 | 17,675 | 8,195 | 3,374 |
| Adjustments for: | | | | |
| Depreciation | 2,823 | 2,740 | 1,336 | 1,685 |
| Gain on disposal of property, plant and equipment | (185) | – | – | (679) |
| Provision for long service payments | (31) | 45 | 174 | 17 |
| Interest expense | 366 | 479 | 337 | 148 |
| | <u>15,449</u> | <u>20,939</u> | <u>10,042</u> | <u>4,545</u> |
| Decrease/(increase) in amounts due from customers for contract work | 2,239 | (2,815) | (8,196) | 677 |
| Increase in trade and other receivables | (11,387) | (13,015) | (12,303) | (11,745) |
| Increase/(decrease) in amounts due to customers for contract work | 867 | (838) | 383 | 646 |
| Increase/(decrease) in trade and other payables | 2,989 | 4,718 | 10,852 | (734) |
| | <u>10,157</u> | <u>8,989</u> | <u>778</u> | <u>(6,611)</u> |
| Net cash generated from/(used in) operations | <u>10,157</u> | <u>8,989</u> | <u>778</u> | <u>(6,611)</u> |

(b) Non-cash transactions

- (i) During the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, additions to property, plant and equipment of approximately HK\$2,569,000, HK\$Nil, HK\$Nil and HK\$1,388,000 were financed by finance lease arrangements respectively.
- (ii) For the year ended 31 December 2015, Kingland Concrete declared interim dividend of HK\$2,800,000 to its then equity holders. Such interim dividend has been settled by current accounts with the directors.

27 COMMITMENTS

(a) Capital commitments – Group as lessee

Capital commitments outstanding at each statement of financial position date not provided for in the Financial Information were as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 30 June 2016 HK\$'000 |
|---|--|--|--------------------------------------|
| Contracted but not provided for property, plant and equipment | <u>–</u> | <u>655</u> | <u>254</u> |

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ACCOUNTANTS' REPORT

(b) Operating lease commitments – Group as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating lease was payable as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 30 June 2016 HK\$'000 |
|---|--|--|--------------------------------------|
| Not later than 1 year | 603 | 1,928 | 1,671 |
| Later than 1 year and no later than 5 years | <u>428</u> | <u>1,563</u> | <u>813</u> |
| | <u>1,031</u> | <u>3,491</u> | <u>2,484</u> |

Personal guarantee by Mr. Cheung and/or Mr. Chan were provided.

The Group is the lessee in respect of properties under operating lease. The leases typically run for an initial period of 3 years, with an option to renew the lease when all terms are renegotiated. The lease does not include contingent rentals.

28 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) Save as disclosed in Notes 17, 18, 19 and 27 to the Financial Information, the Group did not have any significant related party transaction with related parties during the Track Record Period.
- (b) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Period are disclosed in Note 8.
- (c) Guarantee from related parties

At 31 December 2014 and 2015 and 30 June 2016, finance lease liabilities of approximately HK\$626,000, HK\$467,000 and HK\$365,000 respectively were guaranteed by Mr. Chan.

At 31 December 2014 and 2015 and 30 June 2016, finance lease liabilities of approximately HK\$5,335,000, HK\$3,303,000 and HK\$3,553,000 respectively were guaranteed by Mr. Cheung.

At 31 December 2014 and 2015 and 30 June 2016, finance lease liabilities of approximately HK\$179,000, HK\$Nil and HK\$Nil respectively were guaranteed by Mr. Chan and Mr. Cheung.

29 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

The Group had no significant contingent liabilities at the end of each of the Track Record Period.

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30 RESERVE MOVEMENT OF THE COMPANY

| | <i>HK\$'000</i> |
|---|--------------------|
| Balance at 5 January 2015 (date of incorporation) | — |
| Loss and total comprehensive expense for the period | <u>(38)</u> |
| Balance at 31 December 2015 | <u>(38)</u> |
| Loss and total comprehensive expense for the period | — |
| Balance at 30 June 2016 | <u><u>(38)</u></u> |

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III DIRECTORS' REMUNERATION

Save as disclosed in Note 8 to this report, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2016 is expected to be approximately HK\$2,102,200.

IV SUBSEQUENT EVENTS

Save as disclosed in Note 12 to this report, the following significant events took place subsequent to 30 June 2016:

- (a) The Reorganisation as set out in Note 1 of Section II was completed on 22 November 2016.
- (b) The Company adopted a share option scheme on 22 November 2016, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Document.
- (c) On 22 November 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 shares of HK\$0.01 each.

V SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2016.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Jonathan T.S. Lai
Practising Certificate Number: P04165
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report on the financial information of the Group for the Track Record Period prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this document, and is included in this document for information 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 out in Appendix I to this document.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with paragraph 7.31 of the GEM Listing Rules are set out below to illustrate the effect of the [REDACTED] on the combined net tangible assets of the Group attributable to the equity owners of the Company as of 30 June 2016 as if the [REDACTED] had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the combined net tangible assets of the Group had the [REDACTED] been completed as of 30 June 2016 or of any future dates. The unaudited pro forma adjusted combined net tangible assets are prepared based on the audited combined net tangible assets of the Group attributable to the equity owners of the Company as of 30 June 2016 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

| | Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 <i>HK\$'000</i> <i>(Note 1)</i> | Add: Estimated net proceeds from the [REDACTED] of [REDACTED] <i>HK\$'000</i> <i>(Note 2)</i> | Unaudited pro forma adjusted combined net tangible assets <i>HK\$'000</i> | Unaudited pro forma adjusted combined net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i> |
|--|--|--|---|---|
| Based on the [REDACTED] of HK\$[REDACTED] per Share | 42,265 | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on the [REDACTED] of HK\$[REDACTED] per Share | 42,265 | [REDACTED] | [REDACTED] | [REDACTED] |

Notes:

- The audited combined net tangible assets attributable to owners of the Company as at 30 June 2016 are based on audited combined net assets of the Group attributable to owners of the Company as at 30 June 2016 of approximately HK\$42,265,000 as shown in the financial information section of the Accountants' Report set out in Appendix I to this document.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. The estimated net proceeds from the [REDACTED] are based on the lowest and highest [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses to be borne by the Group (excluding approximately HK\$11,241,000 listing-related expenses which have been accounted for prior to 30 June 2016).
3. The unaudited pro forma adjusted combined net tangible assets per Share is determined after the adjustments as described in Notes 1 and 2 above and on the basis that [REDACTED] Shares are issued and outstanding as set out in the section headed “Share Capital” in this document (assuming that the [REDACTED] and the [REDACTED] had been completed on 30 June 2016).
4. The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2016). In particular, in November 2016, interim dividends of HK\$8,900,000 were declared to the then shareholder of the Company. The unaudited pro forma adjusted combined net tangible assets had not taken into account of the above transaction. 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 5 January 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 November 2016. 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 Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 GEM 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Where the Company has knowledge that any member is, under the GEM 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 Companies Law and the GEM 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 5 January 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

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A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 January 2015. Our Company has established a principal place of business in Hong Kong at Flat B, G/F, Fu Hop Factory Building, 209-211 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 23 March 2016. Mr. Cheung and Mr. Chen Yeung Tak have been appointed as the authorised representatives 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, it is subject to the Cayman Islands law 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 IV to this document.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued nil-paid to the subscriber on 5 January 2015, and was subsequently transferred to Sino Continent on the same day. On the same day, one nil-paid Share was also allotted and issued to Supreme Voyage.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of Platinum Faith from Mr. Cheung, Mr. Chan and Applewood Developments, respectively, on 22 November 2016, (i) the one nil-paid Share held by each of Sino Continent and Supreme Voyage was credited as fully paid; and (ii) 374, 374 and 250 new Shares were issued and allotted to Sino Continent, Supreme Voyage and Applewood Developments, all credited as fully paid, respectively.
- (c) On 22 November 2016, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.
- (d) Immediately following completion of the [REDACTED] and the [REDACTED] and, taking no account of any Share which may be issued pursuant to the exercise of the 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.

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- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on 22 November 2016" in this appendix and pursuant to 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 which would effectively alter the control of our Company will be made.
- (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 our Shareholders passed on 22 November 2016

On 22 November 2016, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix IV to this document;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional 962,000,000 Shares of HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Division granting [REDACTED] of, and permission to [REDACTED] in, the Shares in issue and Shares to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement 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] was approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] to rank *pari passu* in all respects with the then existing Shares in issue;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

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- (iii) conditional further on the share premium account of the Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par [REDACTED] Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 22 November 2016 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the [REDACTED] was approved;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under 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 Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the [REDACTED] or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is 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 the Companies Law or any other 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
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM 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 [REDACTED] and the [REDACTED] but

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excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is 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 the Companies Law or any other 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
- (f) 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 [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparation for the [REDACTED], 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. The Reorganisation involved the following major steps:

- (a) On 1 July 2014, Sino Continent was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. One fully paid ordinary share of Sino Continent, representing the entire issued share capital of Sino Continent, was allotted and issued to Mr. Cheung on 12 December 2014.
- (b) On 16 October 2014, Platinum Faith was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. One fully paid ordinary share of Platinum Faith, representing the entire issued share capital of Platinum Faith, was allotted and issued to each of Mr. Cheung and Mr. Chan on 10 November 2014, respectively.

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- (c) On 10 November 2014, Supreme Voyage was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. One fully paid ordinary share of Supreme Voyage, representing the entire issued share capital of Supreme Voyage, was allotted and issued to Mr. Chan on 12 December 2014.
- (d) On 22 January 2016, Alpha Eastern Holdings was incorporated in the BVI. On 3 March 2016, one fully paid share in Alpha Eastern Holdings was allotted and issued to Platinum Faith. After the aforesaid allotment and issue of share, Alpha Eastern Holdings became a wholly-owned subsidiary of Platinum Faith.
- (e) On 5 January 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares with a par value of HK\$0.01 per Share. As at the date of incorporation, one nil-paid Share was allotted and issued to the subscriber of our Company, and was subsequently transferred to Sino Continent on the same day. On the same day, one nil-paid Share was also allotted and issued to Supreme Voyage. After the aforesaid transfer, allotment and issue of Shares, the entire issued share capital of the Company was owned by each of Mr. Cheung and Mr. Chan in equal shares.
- (f) On 28 February 2015, pursuant to the Business Transfer Agreement, Kingland Concrete transferred its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino). In consideration thereof, one fully paid ordinary share was allotted and issued by Kingland (Sino) to each of Mr. Cheung and Mr. Chan on the same date, respectively.
- (g) On 20 March 2015, Platinum Faith acquired one share in Kingland (Sino) from each of Mr. Cheung and Mr. Chan at the consideration of HK\$1, respectively. After the aforesaid acquisition, Kingland (Sino) became a wholly-owned subsidiary of Platinum Faith.
- (h) On 24 December 2015, 250 fully paid shares in Platinum Faith were allotted and issued to Applewood Developments at the consideration of HK\$15,000,000. On the same day, 374 fully paid shares in Platinum Faith were allotted and issued to each of Mr. Cheung and Mr. Chan at the consideration of US\$374, respectively.
- (i) On 15 March 2016, Alpha Eastern Holdings acquired one share in Kingland Macau from each of Mr. Mak and Ms. Mak, at the consideration of MOP12,500 and MOP12,500, respectively. After the aforesaid acquisitions, Kingland Macau became a wholly-owned subsidiary of Alpha Eastern Holdings.

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- (j) On 22 November 2016, our Company (as purchaser) entered into a sale and purchase agreement with Mr. Cheung, Mr. Chan and Applewood Developments (as vendors), Sino Continent and Supreme Voyage, pursuant to which our Company acquired 375, 375 and 250 shares in Platinum Faith (representing its entire issued share capital) from Mr. Cheung, Mr. Chan and Applewood Developments, respectively. In consideration thereof, (i) the one nil-paid Share held by each of Sino Continent and Supreme Voyage was credited as fully paid; and (ii) 374, 374 and 250 new Shares were issued and allotted to Sino Continent, Supreme Voyage and Applewood Developments, all credited as fully paid, respectively. After the aforesaid share transfers, Platinum Faith became a wholly-owned subsidiary of our Company.
- (k) On 22 November 2016, our Company acquired one share in Alpha Eastern Holdings (representing its entire issued share capital) from Platinum Faith at a nominal consideration of US\$1.00. After the aforesaid transfer of share, Alpha Eastern Holdings became a wholly-owned subsidiary of our Company.

Immediately after completion of the share transfer referred to in item (k) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants' report of our Company, the text of which is set out in Appendix I to this document.

Save as disclosed in the paragraph headed "Corporate Reorganisation" in this appendix and in the section headed "History and Development" in 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 our Shares by our Company

This section contains information required by the Stock Exchange to be included in this document concerning the repurchase of the Shares by our Company.

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(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM 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 GEM 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 Shareholders on 22 November 2016, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM 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 amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is 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 GEM Listing Rules. Our Company may not repurchase its own Shares on GEM 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 or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

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(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED], 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 its 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.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM 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 GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

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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 GEM Listing Rules, the Articles and the applicable law and regulations from time to time 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 Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"). In certain circumstances, a Shareholder or a group of Shareholders acting in concert (comprising persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain and consolidate control of our Company) depending on the level of increase of our Shareholders' interest, 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 [REDACTED] 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 GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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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 Business Transfer Agreement dated 26 January 2015 (supplemented on 10 March 2016) and entered into between Kingland Concrete (as vendor) and Kingland (Sino) (as purchaser), pursuant to which Kingland Concrete transferred its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino), and in consideration thereof, one share was allotted and issued by Kingland (Sino) to each of Mr. Cheung and Mr. Chan;
- (b) an instrument of transfer and bought and sold notes, both dated 20 March 2015 and entered into between Mr. Cheung (as transferor) and Platinum Faith (as transferee) pursuant to which Platinum Faith acquired one share in Kingland (Sino) from Mr. Cheung at a consideration of HK\$1;
- (c) an instrument of transfer and bought and sold notes, both dated 20 March 2015 and entered into between Mr. Chan (as transferor) and Platinum Faith (as transferee) pursuant to which Platinum Faith acquired one share in Kingland (Sino) from Mr. Chan at a consideration of HK\$1;
- (d) a subscription agreement dated 24 December 2015 entered into among Platinum Faith, Applewood Developments, Mr. Cheung and Mr. Chan in relation to the subscription of 250 shares in Platinum Faith by Applewood Developments at a consideration of HK\$15,000,000;
- (e) a sale and purchase agreement dated 15 March 2016 entered into among Alpha Eastern Holdings (as transferee) and Mr. Mak and Ms. Mak (as transferors) pursuant to which Alpha Eastern Holdings acquired one share in Kingland Macau from each of Mr. Mak and Ms. Mak at the consideration of MOP12,500 and MOP12,500, respectively;
- (f) a sale and purchase agreement dated 22 November 2016 entered into among Mr. Cheung, Mr. Chan and Applewood Developments (as vendors), our Company (as purchaser), Sino Continent and Supreme Voyage, pursuant to which our Company acquired 375, 375 and 250 shares in Platinum Faith from Mr. Cheung, Mr. Chan and Applewood Developments, respectively, and in consideration thereof, (i) the one nil-paid Share held by each of Sino Continent and Supreme Voyage was credited as fully paid, and (ii) 374, 374 and 250 new Shares were allotted and issued by our Company to Sino Continent, Supreme Voyage and Applewood Developments, respectively;

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- (g) an instrument of transfer dated 22 November 2016 entered into between Mr. Cheung (as transferor) and our Company (as transferee) in relation to the transfer of 375 shares in Platinum Faith as referred to in (f) above;
- (h) an instrument of transfer dated 22 November 2016 entered into between Mr. Chan (as transferor) and our Company (as transferee) in relation to the transfer of 375 shares in Platinum Faith as referred to in (f) above;
- (i) an instrument of transfer dated 22 November 2016 entered into between Applewood Developments (as transferor) and our Company (as transferee) in relation to the transfer of 250 shares in Platinum Faith as referred to in (f) above;
- (j) an instrument of transfer dated 22 November 2016 entered into between Platinum Faith (as transferor) and our Company (as transferee), pursuant to which our Company acquired one share in Alpha Eastern Holdings from Platinum Faith at a consideration of US\$1.00;
- (k) the Deed of Indemnity dated 22 November 2016 executed by Mr. Cheung, Mr. Chan, Sino Continent and Supreme Voyage, in favour of our Company (for itself and on behalf of our subsidiaries) containing indemnities referred to in the paragraph headed "E. Other Information – 1. Tax and other indemnities" in this appendix;
- (l) the Deed of Non-competition dated 22 November 2016 executed by Mr. Cheung, Mr. Chan, Sino Continent and Supreme Voyage in favour of our Company (for itself and on behalf of our subsidiaries), details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Non-competition Undertakings" in this document; and
- (m) the Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademark:

| Trademark | Place of registration | Registration number | Class |
|---|-----------------------|---------------------|-------|
|  | Hong Kong | 303679840 | 37 |

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(b) Domain names

As at the Latest Practicable Date, our Group is the owner of the following domain names which are material to the business of our Group:

| Registered Owner | Domain Name | Registration Date | Expiry Date |
|-------------------------|---------------------|--------------------------|--------------------|
| Kingland (Sino) | www.kingland.com.hk | 8 June 1998 | 25 February 2021 |
| The Company | www.singon.com.hk | 15 November 2016 | 15 November 2017 |

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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 the Company and its associated corporations

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED], but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “Further information about our Company” in this appendix, the interests and short positions of the Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are [REDACTED] on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

Long position in the Shares

| Name of Director | Capacity/Nature | Number of Shares held immediately following completion of the [REDACTED] and the [REDACTED] | Percentage of shareholding immediately following completion of the [REDACTED] and the [REDACTED] |
|--------------------------------------|--------------------------------------|--|---|
| Mr. Cheung <i>(Notes 1&3)</i> | Interest of a controlled corporation | [REDACTED] | [REDACTED]% |
| Mr. Chan <i>(Notes 2&3)</i> | Interest of a controlled corporation | [REDACTED] | [REDACTED]% |

Notes:

1. Sino Continent is wholly and beneficially owned by Mr. Cheung. Therefore, Mr. Cheung is deemed, or taken to be, interested in all the Shares held by Sino Continent for the purposes of the SFO.
2. Supreme Voyage is wholly and beneficially owned by Mr. Chan. Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Supreme Voyage for the purposes of the SFO.

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3. 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.

(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 of any Shares which may be taken up under the [REDACTED], and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the [REDACTED] 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 are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

| Name | Capacity/Nature | Number of Shares held | Percentage of shareholding |
|---|--------------------------------------|-----------------------|----------------------------|
| Sino Continent (<i>Note 5</i>) | Beneficial owner | [REDACTED] | [REDACTED] |
| Supreme Voyage (<i>Note 5</i>) | Beneficial owner | [REDACTED] | [REDACTED] |
| Applewood Developments | Beneficial owner | [REDACTED] | [REDACTED] |
| Mr. Kwok (<i>Note 1</i>) | Interest of a controlled corporation | [REDACTED] | [REDACTED] |
| Ms. Luk Pui Kei Peggy (<i>Note 2</i>) | Interest of spouse | [REDACTED] | [REDACTED] |
| Ms. Cho Bik Nung (<i>Note 3</i>) | Interest of spouse | [REDACTED] | [REDACTED] |
| Ms. Yip Nga Wan (<i>Note 4</i>) | Interest of spouse | [REDACTED] | [REDACTED] |

Notes:

1. Applewood Developments is wholly and beneficially owned by Mr. Kwok. Therefore, Mr. Kwok is deemed, or taken to be, interested in all the Shares held by Applewood Developments for the purposes of the SFO.
2. Ms. Luk Pui Kei Peggy is the spouse of Mr. Cheung and is deemed or taken to be interested in all the Shares in which Mr. Cheung has, or is deemed to have, an interest for the purposes of the SFO.
3. Ms. Cho Bik Nung is the spouse of Mr. Chan and is deemed or taken to be interested in all the Shares in which Mr. Chan has, or is deemed to have, an interest for the purposes of the SFO.

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4. Ms. Yip Nga Wan is the spouse of Mr. Kwok and is deemed or taken to be interested in all the Shares in which Mr. Kwok has, or is deemed to have, an interest for the purposes of the SFO.
5. 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.

2. Particulars of service contracts

None of our Directors has or is proposed to have any service agreement with our Company or any of our subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

- (a) The aggregate remuneration paid by our Group to our Directors in respect of each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 were approximately HK\$2.0 million, HK\$1.9 million and HK\$1.0 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 2016 will be approximately HK\$2.1 million.

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- (c) Under the arrangements currently proposed, conditional upon the [REDACTED], 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:

| | |
|--|-------------|
| Executive Directors | <i>HK\$</i> |
| Mr. Cheung | 1,435,200 |
| Mr. Chan | 960,000 |
| Non-executive Director | <i>HK\$</i> |
| Mr. Kuan Hong Kin Daniel | 180,000 |
| Independent non-executive Directors | <i>HK\$</i> |
| Mr. Chan Ngai Sang Kenny | 216,000 |
| Mr. Chow Chun To | 216,000 |
| Mr. Yam Chiu Fan Joseph | 216,000 |

4. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting – Total commission, fee and expenses" of this document, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

5. Related party transactions

Details of the related party transactions are set out under Note 28 to the accountants' report of our Company set out in Appendix I to this document.

6. Disclaimers

Save as disclosed in this document:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "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 the completion of the [REDACTED] and the [REDACTED], have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or

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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 any member of our Group;

- (b) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are [REDACTED] on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two 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 our Directors or the experts named in the paragraph headed "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 our Directors or the experts named in the paragraph headed "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 GEM 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

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- (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

Our Company has conditionally adopted the Share Option Scheme on 22 November 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

| | |
|-----------------|--|
| “Adoption Date” | 22 November 2016, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions |
| “Board” | the board of Directors or a duly authorised committee of the board of Directors |
| “Group” | our Company and any entity in which our Company, directly or indirectly, holds any equity interest |
| “Scheme Period” | the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof |

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 22 November 2016:

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group.

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(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been [REDACTED] on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) Maximum number of Shares

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the [REDACTED] Date. Therefore, it is expected that our Company may grant options in respect of up to [REDACTED] Shares (or such

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numbers of Shares as shall result from a sub-division or a consolidation of such [REDACTED] Shares from time to time) to the participants under the Share Option Scheme.

- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.
- (dd) 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 share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such

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grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to a Director, chief executive or Substantial Shareholder, or any of their respective associates

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the 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 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associates and all core connected persons of our Company must abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

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(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) 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 as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

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(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment 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 on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious 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 the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

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(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

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, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any

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of his options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, 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 our Company 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.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("**Suspension Date**"), by giving notice in writing to our Company 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 our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

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(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

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(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the [REDACTED] of, and permission to [REDACTED] in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for [REDACTED] of and permission to [REDACTED] in [REDACTED] Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

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E. OTHER INFORMATION

1. Tax and other indemnities

Sino Continent, Supreme Voyage, Mr. Cheung and Mr. Chan (collectively, the "Indemnifiers") have, under a deed of indemnity referred to in item (j) of the sub-section headed "Summary of material contracts" in this appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things,

- (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued received or made or deemed or alleged to have been earned, accrued or received on or before the date on which the [REDACTED] becomes unconditional; or (ii) in respect of or by reference to have been any transaction, act, omission or event entered into or occurring or deemed to enter into or occurred on or before the date on which the [REDACTED] becomes unconditional;
- (b) any liability for Hong Kong estate duty which is or hereafter become payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the [REDACTED] becomes unconditional;
- (c) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the [REDACTED] becomes unconditional;
- (d) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any on-going and/or potential litigations, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the [REDACTED] becomes unconditional; and
- (e) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the [REDACTED] becomes unconditional.

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The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined accounts of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any members of our Group after the date on which the [REDACTED] becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that 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. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division for [REDACTED] of and permission to [REDACTED] 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 options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

We agreed to pay the Sponsor a fee of HK\$3.5 million, which relates solely to services provided by the Sponsor in the capacity as sponsor.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$38,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

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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 | Qualification |
|--|---|
| Ample Capital Limited | A licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO |
| HLB Hodgson Impey Cheng Limited | Certified Public Accountants |
| Appleby | Legal advisers as to Cayman Islands law |
| Chan Chung | Barrister-at-law of Hong Kong |
| Chio Tak Wo, Advogado | Macau lawyer |
| Beijing Dacheng Law Offices, LLP (Shanghai) | Registered law firm in the PRC |
| Beijing Dacheng Law Offices, LLP (Guangzhou) | Registered law firm in the PRC |
| CT Partners Consultants Limited | Independent internal control adviser |
| Ipsos Limited | Independent market research agent |

7. Consents of experts

Each of Ample Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby, Chan Chung, Chio Tak Wo, Advogado, Beijing Dacheng Law Offices, LLP (Shanghai), Beijing Dacheng Law Offices, LLP (Guangzhou), CT Partners Consultants Limited and Ipsos Limited has given and has not withdrawn his/its written consents to the issue of this document, with the inclusion of his/its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to his/its 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.

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9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by [REDACTED] and a branch register of members of our Company in Hong Kong will be maintained by [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. No material adverse change

Subsequent to 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.

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

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[REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their [REDACTED] for, [REDACTED], [REDACTED] or [REDACTED] or [REDACTED] in Shares.

12. Miscellaneous

(a) Save as disclosed in this document:

- (i) Within the two years immediately preceding the date of this document:
 - (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (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 our subsidiaries;
 - (cc) no commission has been paid or payable (except to sub-underwriter) for [REDACTED] or agreeing to [REDACTED], procuring or agreeing to procure [REDACTED], for any Shares or shares of any of our subsidiaries;
 - (dd) no founder, management or deferred shares or any debentures of the Company have been issued or agreed to be issued; and
 - (ee) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- (ii) 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;
- (iii) none of Ample Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby, Chan Chung, Chio Tak Wo, Advogado, Beijing Dacheng Law Offices, LLP (Shanghai), Beijing Dacheng Law Offices, LLP (Guangzhou), CT Partners Consultants Limited and Ipsos Limited:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including our Shares; or

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- (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.
- (iv) our Company and its 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;
- (v) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vi) our Group has no outstanding convertible debt securities; and
- (vii) the English text of this document shall prevail over the Chinese text.

13. 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 Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consent referred to in the paragraph headed "E. Other Information – 7. Consents of experts" in Appendix IV to this document and copies of the material contracts referred to in the paragraph headed "B. Further Information about the Business – 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of David Fong & Co. at Unit A, 12th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountant's Report and the report on the unaudited pro forma financial information prepared by HLB Hodgson Impey Cheng Limited, the texts of which are set out in Appendices I and II to this document;
- (c) the audited combined financial statements of our Company as have been prepared for the companies comprising our Group for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016;
- (d) the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;
- (e) the material contracts referred to the section headed "B. Further Information about the Business – 1. Summary of material contracts" in Appendix IV to this document;
- (f) the written consents referred to in the section headed "E. Other Information – 7. Consent of experts" in Appendix IV to this document;
- (g) the Companies Law;
- (h) the rules of the Share Option Scheme;
- (i) the letter of advice prepared by the Hong Kong Legal Counsel dated the date of this document;
- (j) the letter of advice prepared by the Shanghai PRC Legal Adviser dated the date of this document;

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- (k) the letter of advice prepared by the Guangzhou PRC Legal Adviser dated the date of this document;
- (l) the Ipsos Report;
- (m) the internal control report prepared by CT Partners;
- (n) the letter of advice prepared by the Macau Legal Counsel dated the date of this document; and
- (o) the service agreements and letters of appointment referred to in the paragraph headed "C. Further Information about Substantial Shareholders, Directors and Expert – 2. Particulars of service contracts" in Appendix IV to this document.