Geotech Holdings Ltd.
致浩達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1707

2017 Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Yau Kin Wing Sino *(Chairman)*
Mr. Cheung Ting Kam *(Vice Chairman)*
(Passed away on 21 January 2018)
Mr. Kung Ho Man *(Chief Executive Officer)*
Ms. Tang Ka Wa Danise

Independent Non-Executive Directors
Mr. Chow Chun To
Mr. Fung Chi Kin
Mr. Cheung Wai Lun Jacky

AUDIT COMMITTEE

Mr. Chow Chun To *(Chairperson)*
Mr. Fung Chi Kin
Mr. Cheung Wai Lun Jacky

REMUNERATION COMMITTEE

Mr. Chow Chun To *(Chairperson)*
Mr. Cheung Ting Kam *(Passed away on 21 January 2018)*
Mr. Kung Ho Man *(Appointed on 23 January 2018)*
Mr. Cheung Wai Lun Jacky

NOMINATION COMMITTEE

Mr. Yau Kin Wing Sino *(Chairperson)*
Mr. Fung Chi Kin
Mr. Cheung Wai Lun Jacky

COMPANY SECRETARY

Mr. Ip Ying Hang

AUTHORISED REPRESENTATIVES

Mr. Yau Kin Wing Sino
Mr. Ip Ying Hang *(HKICPA)*

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 05-08, 11/F
Delta House
3 On Yiu Street
Shek Mun
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited
P. O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

COMPLIANCE ADVISER

Grande Capital Limited (with effect from 25 January 2018)
1204B, 12/F
Tower 2, Lippo Centre
89 Queensway
Hong Kong

RHB Capital Hong Kong Limited (up to 31 December 2017)
12/F., World-Wide House
19 Des Voeux Road Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

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

AUDITORS

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Shanghai Commercial Bank

STOCK CODE

1707

WEBSITE

www.geotech.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Geotech Holdings Ltd. (the "Company", together with its subsidiaries, the "Group", "we", "our" or "us"), I am delighted to present our first annual report of the Group for the year ended 31 December 2017 following our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

LISTING ON THE STOCK EXCHANGE

The ordinary shares of our Company (the "Shares") were successfully listed (the "Listing") on the Main Board of the Stock Exchange on 12 October 2017 (the "Listing Date") which marked a significant milestone for our Group. 350,000,000 Shares were issued under the share offer, raising net proceeds of approximately HK$72.8 million (after deducting Listing expenses). The additional capital raised and a broader capital base as a result of the Listing allow us to expand our business. It also provided our Group an opportunity to strengthen our corporate governance and further promote our Group as a well-organised establishment to the public.

REVIEW

For the year ended 31 December 2017 (the "Review Year"), the Group recorded revenue of approximately HK$275.8 million, representing a decrease of approximately 20% as compared to the corresponding year ended 31 December 2016. Profit attributable to the owners of the Company was approximately HK$9.5 million as compared to a profit of approximately HK$20.4 million for the year ended 31 December 2016, representing a decrease of approximately 53.4%. Earnings per share for the Review Year were approximately HK$0.79 cents, as compared to the earnings per share of approximately HK$1.77 cents for the year ended 31 December 2016.

The decrease in net profit was mainly due to (i) the Group incurred non-recurring listing expenses which amounted to approximately HK$10.7 million for the Review Year; (ii) the decrease in revenue mainly due to certain delays in works orders under public slope works projects, downward adjustment on contract sum of certain projects and the completion of certain major slope works projects during the Review Year; and (iii) the Group has recorded an increase in compliance costs and staff costs since the Listing Date and up to 31 December 2017.

LOOKING AHEAD

The listing status of the Group has elevated the Group in all business aspects, especially in enhancing our corporate image and reputation and strengthening our customers' confidence and recognition. The Listing also provided the Group additional capital funding to enhance our service capacity by purchasing additional machinery. Looking ahead, the Group will utilize resources as a public company to (i) take a more aggressive approach in response to tender invitations; (ii) expand our operation and revenue stream and (iii) expand our market share in terms of revenue generated. Riding on our operating resources and experience, we believe that we can continue to maintain our competitiveness in the industry to capture greater market share for the concrete placing services in Hong Kong.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders ("Shareholders"), customers, subcontractors and business partners for their continuous support and trust. I would also like to express my warmest thanks to our management and staff for their commitment and contributions.

Yau Kin Wing Sino
Chairman

Hong Kong, 29 March 2018

BUSINESS REVIEW AND OUTLOOK

With over 20 years of experience in civil engineering industry, the Group is a leading slope works contractor in Hong Kong. The Group principally undertakes slope works as main contractor and also undertake ground investigation field works as subcontractor. To a lesser extent, the Group also undertakes slope works as subcontractor and ground investigation field works for road works contracts and building development projects as main contractor.

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

The majority of the revenue during the Review Year was derived from undertaking slope works commissioned by the Civil Engineering and Development Department of the Government ("CEDD"). According to the Government's statement upon the launch of the Landslip Prevention and Mitigation Programme in 2010, the Government estimated that the annual expenditure on the Landslip Prevention and Mitigation Programme would be at least HK$600 million, and the Landslip Prevention and Mitigation Programme would be implemented on a rolling basis annually to upgrade 150 Government man-made slopes, to conduct safety-screening studies on 100 private man-made slopes, and to implement studies and necessary risk mitigation works for 30 natural hillside catchments per year. According to the 2016 Annual Report on Government Slope Safety Works published by the Geotechnical Engineering Office of CEDD, there are currently about 60,000 sizable man-made slopes in Hong Kong and about two-thirds of these man-made slopes are Government slopes. Also, according to the government budget for the year ending 31 March 2019 published on 28 February 2018, the estimated CEDD's expenditure for landslip prevention and mitigation for 2018 is HK$1,030.0 million, which represents an increase of approximately 4.0% over the actual expenditure for 2017. As a result, the Group's slope work business also benefited from the overall positive atmosphere in the industry.

The Directors are aware that certain recent delays in the progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong could result in potential delays in public infrastructure projects and hence possible postponement, or even decrease in the availability, of related slope works projects in Hong Kong in the near future. However, given the Landslip Prevention and Mitigation Programme remains in force and private sector demand is not materially affected by the above, marked opportunities for slope works are still expected by the Directors.

Geotech Engineering was recently awarded as the "Winner of the Best LPM (Landslip Prevention and Mitigation) Contractor Competition" by the CEDD's Geotechnical Engineering Office on 22 February 2018, which was an award also won by Geotech Engineering in 2016 and 2017. Geotech Engineering also achieved the maximum rating under the category of "Landslip preventive/remedial works to slopes/retaining walls" as appraised by the Development Bureau among all contractors being rated between the third quarter of 2015 to the fourth quarter of 2017. Therefore, the Directors believe that on a whole, the Group remains competitive and will be able to capture the available market opportunities due to its leading position and the continued recognition of its performance quality.

For analysis of the principal risks and uncertainties facing the Group and the key relationships with employees, customers, suppliers and others during the Review Year, please refer to the section headed "Directors' Report" on pages 32 to 43 in this report.

Having considered the above and other relevant factors, the Directors are still cautiously optimistic about the slope works industry in Hong Kong in general, particularly given the continuation of the Landslip Prevention and Mitigation Programme.

The Company's shares were listed on the Main Board of the Stock Exchange on the Listing Date. The proceeds received from the share offer have strengthened the Group's cash flow and the Group will implement its future plans as set out in the section headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 28 September 2017 (the "Prospectus").

As at 31 December 2017, we had 43 slope works and ground investigation field works projects on hand (including contracts in progress and contracts which are yet to commence) with a total outstanding contract sum of approximately HK$492.5 million. As at 31 December 2016, we had 44 slope works and ground investigation field works projects on hand with a total outstanding contract sum of approximately HK$351.7 million.

FINANCIAL REVIEW

Revenue

The Group's overall revenue decreased by approximately HK$69.0 million or approximately 20.0% from approximately HK$344.8 million for the year ended 31 December 2016 to approximately HK$275.8 million for the Review Year. The decrease in revenue was mainly due to (i) certain delays in works orders under public slope works projects; (ii) downward adjustment on contract sum of certain projects; (iii) the completion of certain major slope works projects during the Review Year; and (iv) net off with revenue increase in the project for marine ground investigation works for the Hong Kong International Airport's third runway awarded in October 2016.

The Board regards the Group's business of construction as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented. No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Gross Profit and Gross Profit Margin

The Group's direct costs decreased by approximately HK$62.5 million or approximately 21.2% from approximately HK$295.2 million for the year ended 31 December 2016 to approximately HK$232.7 million for the Review Year. Such decrease in direct costs was generally in line with the decrease in the revenue.

The gross profit of the Group for the Review Year amounted to approximately HK$43.1 million, representing a decrease of approximately 12.9% as compared with approximately HK$49.6 million for the year ended 31 December 2016, which was driven by a decrease in revenue for the same period. The Group's gross profit margin for the Review Year was approximately 15.6%, as compared with approximately 14.4% for the year ended 31 December 2016. The slight increase in the gross profit margin for the Review Year was mainly attributable to the decrease in subcontracting charge by HK$52.2 million or approximately 23.0% from approximately HK$226.6 million for the year ended 31 December 2016 to approximately HK$174.4 million for the Review Year due to the substantial completion of certain projects during the first half of the Review Year.

Other Income

Other income mainly included rental income from leasing of motor vehicles and machinery and labour charges income mainly derived from provision of safety consultancy services by the staff. During the Review Year, other income amounted to approximately HK$2.1 million (2016: approximately HK$3.1 million). The decrease in other income was mainly due to the decrease in labour charges income of approximately HK$1.2 million because of the completion of labour force supply to a contractor during the year ended 31 December 2016.

Administrative Expenses

The administrative expenses of the Group for the Review Year amounted to approximately HK$30.6 million, representing an increase of approximately 18.6% compared with approximately HK$25.8 million for the year ended 31 December 2016, mainly due to the increase in the Group's listing expenses of approximately 24.1% as compared to the year ended 31 December 2016 and the increase in compliance costs and staff costs incurred since the Listing Date and up to 31 December 2017.

Finance Costs

Finance costs for the Review Year was approximately HK$354,000, representing a slight decrease of approximately 1.1% compared with approximately HK$358,000 for the year ended 31 December 2016. The slight decrease was mainly attributable to the decrease in interest charges on borrowings.

Income Tax Expense

Income tax expense decreased by approximately 21.0% from approximately HK$6.1 million for the year ended 31 December 2016 to approximately HK$4.8 million for the Review Year. Such decrease was driven by the decrease in revenue and the increase in non-deductible listing expenses for the Review Year.

Net Profit

Profit attributable to owners of the Company for the Review Year decreased by approximately HK$10.9 million or approximately 53.4% from approximately HK$20.4 million for the year ended 31 December 2016 to HK$9.5 million for the Review Year. The decrease in the Group's net profit for the Review Year was mainly due to the decrease in revenue and the increase in administrative expenses as discussed above. The Group's net profit margin for the Review Year was approximately 3.5%, as compared with approximately 5.9% for the year ended 31 December 2016. The decrease in the net profit margin for the Review Year was mainly due to the increase in administrative expenses as discussed above.

Final Dividend

The Board did not recommend a payment of a final dividend for the Review Year (2016: nil).

Liquidity, Financial Resources and Capital Structure

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on the Listing Date and there has been no change in capital structure of the Group since then.

As at 31 December 2017, the Company's issued capital was HK$14 million and the number of its issued ordinary shares was 1,400 million of HK$0.01 each.

As at 31 December 2017, the Group had total cash and bank balances of approximately HK$109.4 million (31 December 2016: approximately HK$53.4 million). The increase was mainly due to the net proceeds received from the Listing. The total borrowings of the Group, consist of bank borrowings and obligation under finance leases, of the Group as at 31 December 2017 was approximately HK$10.9 million (31 December 2016: approximately HK$16.7 million). All borrowings were denominated in Hong Kong dollars. Interests are charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy.

Treasury Policy

The Group has adopted a prudent financial management approach towards it treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Gearing ratio

Gearing ratio is calculated by dividing all debts by total equity at the period-end date and expressed as a percentage. Debts are defined to include payables incurred not in the ordinary course of business. The gearing ratio of the Group as at 31 December 2017 was approximately 5.9% (31 December 2016: approximately 15.0%). As a result of the issuance of significant number of Shares in relation to the Listing, the Group's gearing ratio decreased.

Pledge of Assets

As at 31 December 2017, the Group had approximately HK$1.1 million of net book value of our plant, machinery and equipment were pledged under finance leases (31 December 2016: HK$ nil).

Foreign Exchange Risk

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are primarily denominated in Hong Kong dollars. With the insignificant portion of monetary transactions and assets denominated in foreign currencies, the Group did not engage in any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the Review Year (2016: nil).

Significant Investment, Material Acquisitions or Disposal of Subsidiaries and Associated Companies

Apart from the reorganisation in relation to the Listing (as set out under the section headed "History and Development" and the paragraph headed "Corporate Reorganisation" in Appendix IV to the Prospectus), there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the Review Year.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 31 December 2017.

Employees and Remuneration Policy

As at 31 December 2017, 114 staff fell into the Group's payroll (31 December 2016: 131 staff). Total staff costs included directors' emoluments for the Review Year amounted to approximately HK$40.6 million (2016: approximately HK$42.8 million), salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Environmental Policies and Performance

Details of environmental policies, performance and compliance with laws and regulations are set out in the "Environmental, Social and Governance Report" in this report.

Capital Commitments and Contingent Liabilities

As at 31 December 2017, the Group had no material capital commitments or contingent liabilities (31 December 2016: nil).

Use of Net Proceeds from the Listing

The receipts of the proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("Net Proceeds") from the Listing were approximately HK$72.8 million. The Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus. As stated in the Prospectus, our Company intends to apply the Net Proceeds to satisfy Specific Working Capital Requirement, finance site facilities and equipment and expand our workforce. The total net proceeds received were applied by the Group during the period from the Listing Date up to 31 December 2017 are as follows:

Use of Net Proceeds:	**Planned use of proceeds**	**Actual use of proceeds from the Listing Date to 31 December 2017**
	HK$'000	HK$'000
Satisfaction of Specific Working Capital Requirement	44,144	44,144
Acquisition of the site facilities and equipment	14,351	3,298
Expansion of our workforce both at office and site level	14,350	176
Total	72,845	47,618

As at 31 December 2017 and the date of this report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the period under review, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Yau Kin Wing Sino (邱建榮先生) ("**Mr. Yau**"), aged 60, is an executive Director, our Chairman and the chairperson of the Nomination Committee (as defined herein). Mr. Yau is a Controlling Shareholder and also a director of Flourish Team Limited, Praise Marble Limited ("Praise Marble"), Geotech Engineering, GeoResources Limited ("GeoResources"), Yau Wing Construction & Engineering Limited and Richway Construction Engineering Limited, which are the four operating subsidiaries of the Company. Mr. Yau is primarily responsible for overall business development, financial and strategic planning of our Group. Mr. Yau has over 25 years of experience in the civil engineering industry in Hong Kong. He incorporated, and has been the director of, Geotech Engineering since August 1994.

Mr. Cheung Ting Kam (張定錦先生), was aged 62 as at 31 December 2017. Until 21 January 2018 when he passed away, he was the Vice Chairman of the Board and a Controlling Shareholder of the Company. Mr. Cheung Ting Kam was also a director of Flourish Team Limited, Praise Marble, Geotech Engineering and GeoResources. He was primarily responsible for overall business development and financial and strategic planning of our Group. Mr. Cheung Ting Kam obtained a Bachelor of Science in Civil Engineering from University of Saskatchewan in Canada in May 1979 and a Master of Science in Engineering from The University of Hong Kong in December 1989. Mr. Cheung Ting Kam had been a member of the Institution of Civil Engineers of the United Kingdom since December 1982 and also a member of the Hong Kong Institution of Engineers since September 1985. Mr. Cheung Ting Kam had been a Registered Professional Engineer under the Hong Kong Engineers Registration Board since October 1996. Mr. Cheung Ting Kam had over 37 years of experience in construction industry. He joined our Group and had been a director of Geotech Engineering since May 1997. Before joining our Group, Mr. Cheung Ting Kam worked at Scott Wilson Kirkpatrick & Company Limited as an Assistant Engineer from August 1979 to August 1983. Between October 1983 and September 1991, Mr. Cheung Ting Kam was a Geotechnical Engineer in the Government and served at Building Development Department, Engineering Development Department and Civil Engineering Services Department. From July 1991 to December 1993, he worked at World International Development Limited as Resident Project Manager. From November 1993 to April 1997, Mr. Cheung Ting Kam worked at Mott Connell Limited as Resident Engineer.

Mr. Kung Ho Man (龔 浩 文 先 生) ("**Mr. Kung**"), aged 43, is an executive Director and our Chief Executive Officer. He is also a director of Flourish Team Limited, Praise Marble, Geotech Engineering and GeoResources. He is primarily responsible for overall construction projects management and daily operation of our Group. He is also a member of the Remuneration Committee. Mr. Kung obtained a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Civil Engineering by part-time studies from the Hong Kong University of Science and Technology in November 1996 and in November 1999 respectively. Mr. Kung was awarded an Executive Diploma in Management from the Hong Kong University of Science and Technology in February 2006 by part-time studies. He then completed an Environmental Management Course for Construction Managers from Construction Industry Training Authority in September 2007 by part-time studies.

Mr. Kung obtained a certificate on Occupational Safety & Health Management issued by the Occupational Safety & Health Council in January 2005. He obtained certificates in relation to completion of Highways Department Site Audit Inspection Standards (Safety & Roadwork Obligations) course and the Environmental Management Course for Construction Managers both issued by the Construction Industry Training Authority in July 2007 and September 2007 respectively. Mr. Kung also obtained a certificate on Basic Accident Prevention issued by the Occupational Safety & Health Council in October 2016. Mr. Kung has been a member of the Hong Kong Institution of Engineers since March 2003. He has been registered as a Registered Professional Engineer under Engineers Registration Board since July 2004.

Mr. Kung has over 16 years of experience in construction industry. Mr. Kung joined our Group in July 2001 as Site Agent and has been appointed as the director of Geotech Engineering since October 2011. Prior to joining our Group, Mr. Kung gained his experience in engineering from his services in the Government.

Ms. Tang Ka Wa Danise (鄧嘉華女士) ("**Ms. Tang**"), aged 43, is our executive Director. Ms. Tang is a controlling shareholder and also a director of Double Wink Limited, Praise Marble, Geotech Engineering and GeoResource. Ms. Tang obtained a Bachelor of Engineering in Civil and Structural Engineering in November 1996 and a Master of Philosophy in Civil Engineering in November 2001, from the Hong Kong University of Science and Technology. Ms. Tang obtained a certificate on Occupational Safety Management issued by the Occupational Safety & Health Council in January 2007 and a certificate in relation to completion of the Environmental Management Course for Construction Managers issued by the Construction Industry Training Authority in September 2007. Ms. Tang has been a member of the Institution of Civil Engineers of the United Kingdom and has been registered as a Chartered Engineer with the Engineering Council in the United Kingdom since December 2005. Ms. Tang is also currently a member of the Hong Kong Institution of Engineers and registered as a Registered Professional Engineer under Hong Kong Engineers Registration Board.

Ms. Tang has over 11 years of experience in construction industry. She joined our Group in May 2005 as project manager and has been appointed as a director of Geotech Engineering since October 2011. Before joining our Group, Ms. Tang worked at Ove Arup & Partners Hong Kong Limited as a Graduate Engineer from December 1999 to September 2000.

Independent Non-Executive Directors

Mr. Fung Chi Kin (馮志堅先生) ("**Mr. Fung**"), aged 68, is an independent non-executive Director. Mr. Fung is a member of the Audit Committee (as defined herein) and Nomination Committee. Mr. Fung has over 41 years of experience in banking and finance. He was the director and the Deputy General Manager of Po Sang Bank Limited (merged into Bank of China (Hong Kong) Limited in 2001) and the Managing Director of BOCI Securities Limited. From October 1998 to June 2000, Mr. Fung served as a Council Member of the First Legislative Council of the HKSAR. Mr. Fung was an executive director of China Trustful Group Limited (formerly known as "Powerwell Pacific Holdings Limited") (stock code: 8265) from September 2014 to May 2017, the shares of which are listed on GEM of the Stock Exchange and he has also acted as independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited (stock code: 682) and Kenford Group Holdings Limited (stock code: 464) since September 2003 and August 2017 respectively, the shares of which are listed on the Main Board. From October 2006 to May 2012, he held the position of independent non-executive director of New Times Energy Corporation Limited (stock code: 166), the shares of which are listed on the Main Board.

Mr. Cheung Wai Lun Jacky (張偉倫先生) ("**Mr. Cheung**"), aged 44, is an independent non-executive Director. Mr. Cheung is member of the Audit Committee, Remuneration Committee and the Nomination Committee of our Group. Mr. Cheung graduated in November 1995 with a Bachelor of Laws and then obtained The Postgraduate Certificate in Laws in June 1996 from The University of Hong Kong. Mr. Cheung has been admitted as a solicitor in Hong Kong since November 1998. Mr. Cheung has over 17 years of experience in legal industry in Hong Kong. From September 2001 to December 2007 and from November 2008 to September 2012, he worked at Mayer Brown JSM at which his last position was Senior Associate. In June 2013, Mr. Cheung joined D. S. Cheung & Co. as solicitor and was subsequently promoted as Partner. Since April 2015, Mr. Cheung has been working as Consultant with Loeb & Loeb LPP (formerly Pang & Co. in association with Loeb & Loeb LPP). Mr. Cheung has acted as independent non-executive director of CHerish Holdings Limited (stock code: 2113) and Kin Pang Holdings Limited (stock code: 1722) since September 2016 and November 2017 respectively, the shares of which are listed on the Main Board. He has also acted as an independent non-executive director of AV Promotions Holdings Limited (stock code: 8419) since December 2017, the shares of which are listed on GEM of the Stock Exchange.

Mr. Chow Chun To (**鄒振濤先生**) ("**Mr. Chow**"), aged 34, is an independent non-executive Director. He is the chairperson of the audit committee and remuneration committee of our Group. Mr. Chow obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Chow has been a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants since July 2013. Mr. Chow has over 11 years of accounting experience in Hong Kong. From June 2006 to June 2007, Mr. Chow worked as an accountant at PCP CPA Limited. From June 2007 to December 2007, Mr. Chow worked as accountant at HLB Hodgson Impey Cheng. From February 2008 to April 2011, Mr. Chow served at Deloitte Touche Tohmastu with his last position as senior associate. From May 2011 to May 2013, Mr. Chow worked as financial manager in Chiho-Tiande (HK) Limited, a wholly-owned subsidiary of Chiho-Tiande Group Limited (stock code: 976), the shares of which are listed on the Main Board. From May 2013 to September 2014, Mr. Chow was the financial controller of Tonking New Energy Group Holdings Limited (formerly known as "JC Group Holdings Limited") (stock code: 8326), the shares of which are listed on the GEM of the Stock Exchange. Mr. Chow was the financial controller and company secretary of In Construction Holdings Limited (stock code: 1500) from September 2014 to February 2017, the shares of which are listed on the Main Board. From February 2017 until presently, Mr. Chow is the chief financial officer and company secretary of Shenzhen Yestock Automobile Service Co., Ltd. Mr. Chow has also acted as independent non-executive director of Sing On Holdings Limited (stock code: 8352) and AV Promotions Holdings Limited (stock code: 8419) since November 2016 and December 2017 respectively, the shares of which are listed on GEM of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Ip Ying Hang (**葉映恒先生**) ("**Mr. Ip**"), aged 32, is our financial controller and company secretary of our Company. He joined our Group in December 2015. He graduated from Hong Kong Baptist University in November 2009 with a Bachelor of Commerce in Accountancy. Mr. Ip has been a member of Hong Kong Institute of Certified Public Accountants since March 2015. Mr. Ip has over seven years of experience in auditing, accounting and financial management in Hong Kong. He joined our Group in December 2015 as financial controller and company secretary of Geotech Engineering. Before that, Mr. Ip worked at ShineWing (HK) CPA Limited from July 2011 at which his last position was Assistant Manager and then worked at KPMG from November 2014 at which his last position was Manager.

COMPANY SECRETARY

Mr. Ip 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed in establishing and maintaining good corporate governance practices to safeguard the interests of Shareholders. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in order to maximise Shareholder value.

CORPORATE GOVERNANCE CODE

Compliance with the Corporate Governance Code

The Company has adopted and complied with the corporate governance code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period from the Listing Date up to the date of this report. The Directors will periodically review the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the CG Code from time to time.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiries of the Directors, all Directors have confirmed that they have complied with the requirements of the Model Code during the period from the Listing Date up to the date of this report.

THE BOARD

Role and function

The Board is responsible for and has the general powers in managing and conducting the Company's business. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "Audit Committee"), the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. Further details of these committees are set out in the sections headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

Composition

As at the date of this report, the Board is chaired by Mr. Yau and comprised of six members, consisting of three executive Directors and three independent non-executive Directors. The List of Directors is set out in the section headed "Directors' Report" of this annual report. Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report.

Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieving a sustainable and balanced development of our Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the Nomination Committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. In compliance with the CG Code, the Group has appointed a separate Chairman and Chief Executive Officer of the Company since 21 September 2017. Mr. Yau serves as the Chairman of the Company and is responsible for overall business development, financial and strategic planning of our Group. Mr. Kung serves as the Chief Executive Officer of the Company and is responsible for overall construction projects management and daily operation of our Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Since the Listing date and up to date of this report, the Company has had three independent non-executive Directors representing more than one-third of the Board, which is in compliance with rules 3.10(1) and 3.10A of the Listing Rules.

The independent non-executive Directors are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the independent non-executive Directors brings his own relevant expertise to the Board and its deliberations. None of the independent non-executive Directors has any business or financial interests with the Group nor has any relationship with other Directors.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company for a specific term and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the amended and restated memorandum and articles of association of the Company (the "Restated Articles").

In accordance with Article 108(a) of the Restated Articles, at each annual general meeting ("AGM"), at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

In accordance with article 108 of the Restated Articles, all Directors will retire from office as Directors at the forthcoming AGM of the Company, being eligible, and offer themselves for reelection.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board is responsible for performing the corporate governance functions set out in the terms of reference in code provision D.3.1 of the CG Code. As at the date of this annual report, the Board has reviewed and monitored (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the CG Code disclosure requirements.

Directors' Insurance

The Company has arranged appropriate insurance coverage for all Directors in relation to the discharge of their responsibilities.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company, from time to time, provides in-house training for the Directors in the form of seminars, workshops and/or relevant reading material to keep updated their knowledge and skill and understanding of the Group and our business to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. The above training costs are borne by the Company.

The training each Director received during the period from the Listing Date up to 31 December 2017 is summarised below:

Name of Director	Type of training Reading and/ or on-line studying	Seminars and/ or workshops
Executive Directors		
Mr. Yau Kin Wing Sino *(Chairman)*	√	√
Mr. Kung Ho Man *(Chief Executive Officer)*	√	√
Ms. Tang Ka Wa Danise	√	√
Mr. Cheung Ting Kam *(Vice Chairman) (passed away on 21 January 2018)*	√	√
Independent non-executive Directors		
Mr. Chow Chun To	√	√
Mr. Cheung Wai Lun Jacky	√	√
Mr. Fung Chi Kin	√	√

Board Meetings

Regular board meetings are scheduled at least four times per year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communication. Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company (the "Company Secretary"), and are open for inspection by Directors upon request. All Directors have access to the advice and services of the Company Secretary, and are allowed to seek external professional advice if needed.

During the period from the Listing Date up to 31 December 2017, five Board meetings were held. During the period between 1 January 2018 and the date of this report, six Board meetings were held. No general meeting was held. The attendance records of each member of the Board is set out below:

Name of Director	Meetings attended/ Number of general meetings attended	Meetings attended/ Number of Board meetings where recusal not required
Executive Directors		
Mr. Yau Kin Wing Sino *(Chairman)*	–	11/11
Mr. Cheung Ting Kam *(Vice Chairman) (passed away on 21 January 2018)*	–	5/5
Mr. Kung Ho Man *(Chief Executive Officer)*	–	10/10
Ms. Tang Ka Wa Danise	–	11/11
Independent non-executive Directors		
Mr. Chow Chun To	–	11/11
Mr. Cheung Wai Lun Jacky	–	11/11
Mr. Fung Chi Kin	–	11/11

The Company's AGM will be held on 8 June 2018.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board Committees of the Company are established with defined written terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange and are available to Shareholders upon request.

AUDIT COMMITTEE

The Company established the Audit Committee on 21 September 2017 in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Chow, Mr. Fung and Mr. Cheung. Mr. Chow is the chairman of the Audit Committee.

The primary duties of the Audit Committee are, among other things, to make recommendation to the Board on the appointment, reappointment and removal of external auditor; review the financial information; and oversee the financial reporting system and internal control procedures of our Company.

During the period from the Listing Date up to 31 December 2017, the Board had no disagreement with the Audit Committee's view on the appointment of the external auditors. The financial statements for the Review Year and this annual report have been reviewed by the Audit Committee.

During the period from the Listing Date up to 31 December 2017, the Audit Committee held one meeting over the re-appointment of the external auditors. Subsequent to 31 December 2017 and up to the date of this annual report, one meeting of the Audit Committee was held to review the Group's financial result for the Review Year for submission to the Board for approval, review the internal control and risk management systems of the Group, oversee the audit process.

The attendance records of each member of the Audit Committee during the period from the Listing Date up to 31 December 2017 are set out below:

Audit Committee	Meeting attended/Eligible to attend
Mr. Chow Chun To *(Chairperson)*	1/1
Mr. Cheung Wai Lun Jacky	1/1
Mr. Fung Chi Kin	1/1

NOMINATION COMMITTEE

The Nomination Committee was established on 21 September 2017 with written terms of reference in compliance with the CG Code. The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. Our Nomination Committee comprises one executive Director, Mr. Yau, and two independent non-executive Directors, Mr. Cheung and Mr. Fung. Currently, Mr. Yau is the chairperson of the Nomination Committee.

During the period from the Listing Date up to 31 December 2017, no meeting of the Nomination Committee was held. Subsequent to 31 December 2017 and up to the date of this annual report, one meeting of the Nomination Committee was held to make recommendation on the appointment of Mr. Kung as a member of the Remuneration Committee to fill the vacancy left by Mr. Cheung Ting Kam, and another meeting of the Nomination Committee was held to review the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, assess the independence of independent non-executive Directors and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming AGM.

The attendance records of each member of the Nomination Committee during the period from 31 December 2017 to the date of their annual report are set out below:

Nomination Committee	**Meeting attended/Eligible to attend**
Mr. Yau Kin Wing Sino *(Chairperson)*	2/2
Mr. Cheung Wai Lun Jacky	2/2
Mr. Fung Chi Kin	2/2

REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 September 2017 in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy, packages and structure relating to all Directors and senior management of our Group, review and approve the management's remuneration proposals, and ensure none of our Directors determine their own remuneration. Our Remuneration Committee comprises one executive Director, Mr. Kung (appointed on 23 January 2018)[1] and two independent non-executive Directors, Mr. Cheung and Mr. Chow. Currently, Mr. Chow is the chairperson of the Remuneration Committee.

The remuneration of the Directors and senior management is determined with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. The Remuneration Committee also ensures that no individual will be involved in determining his own remuneration.

During the period from the Listing Date up to 31 December 2017, no meeting of the Remuneration Committee was held. However, subsequent to 31 December 2017 and up to the date of this annual report, one meeting of the Remuneration Committee was held for reviewing the performance and remuneration packages of individual Directors and senior management. Details of the Directors' remuneration are set out in Note 8 to the Financial Statements.

[1] Mr. Cheung Ting Kam, who was a member of the Remuneration Committee, passed away on 21 January 2018. And Mr. Kung, was appointed as a member of the Remuneration Committee with effect from 23 January 2018.

AUDITORS' REMUNERATION

The Audit Committee of our Company is responsible for considering the appointment and re-election of our Company's external auditor and reviewing any non-audit functions performed by the external auditor. During the Review Year, the Group engaged Grant Thornton Hong Kong Limited ("Grant Thornton") as the Group's external auditor. The remuneration paid and payable to Grant Thornton is set out as follows:

	HK$'000
Audit services	900
Non-audit services	4,270

The amount of fee incurred for the non-audit services represented the service fee paid to Grant Thornton as the reporting accountant of the Company in relation to the Listing.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness.

The Group has established guidelines and procedures for the approval and control of expenditures, for ensuring the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

The Board, through the Audit Committee, has conducted review of both design and implementation effectiveness of the risk management and internal control systems of the Group once throughout the period under review, covering all material controls, including financial, operational and compliance controls. In this respect, the Audit Committee communicates any material issues to the Board.

Although the Company does not have an internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. The Group has engaged CT Partners Consultants Limited to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. No significant area of concern that may affect the financial, operational, compliance, control and risk management of our Group has been identified.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by CT Partners to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of CT Partners as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

INSIDE INFORMATION POLICY

With respect to the monitoring and disclosure of inside information, our Group has adopted a policy on disclosure of inside information with the aim of ensuring insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of inside information.

COMPANY SECRETARY

The Company has appointed Mr. Ip as the Company Secretary. Mr. Ip has confirmed that he has undertaken no less than 15 hours of relevant professional training during the Review Year in compliance with Rule 3.29 of the Listing Rules. His biographical details are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements of our Group and to ensure that the consolidated financial statements of our Group are prepared in a manner which give a true and fair view of the state of affairs of our Group on a going concern basis and are in compliance with the relevant accounting standards and principals, applicable laws and disclosure provisions required of the Listing Rules. Our Directors are of the view that the financial statements of our Group for the Review Year has been prepared on this basis. Our Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon our Group's ability to continue as a going concern.

The statements by external auditor, Grant Thornton, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 44 to 48 of this report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and potential investors is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company has adopted the shareholders' communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and potential investors to make informed investment decisions.

To promote effective communication, the Company maintains a website at www.geotech.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and other corporate communications will be updated on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website in a timely fashion.

The first AGM of the Company will be held on 8 June 2018. The notice of the AGM, setting out details of the proposed resolutions, voting procedures and other relevant information, will be sent to Shareholders at least 20 clear business days prior to the meeting.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

The general meeting of our Company provides an opportunity for communication between the Shareholders and the Board. Pursuant to Article 64 of the Restated Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail to Unit 05-08, 11/F, Delta House, 3 On Yiu Street, Shek Mun, New Territories, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow Article 64 of the Restated Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for Convening General Meetings by Shareholders" in this report.

Pursuant to Article 113 of the Restated Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at principal place of business or at the Hong Kong branch share registrar and transter office of the Company. The period for lodgment of the notices required under Article 113 will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Shareholders' enquiries

For matters in relation to the Board, Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at Unit 05-08, 11/F, Delta House, 3 On Yiu Street, Shek Mun, New Territories, Hong Kong (Tel: (852) 2117 1005 Fax: (852) 3579 1488).

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividends warrants, the registered Shareholder can contact:

Branch Share Registrar and Transfer Office in Hong Kong
Boardroom Share Registrars (HK) Limited
Address: Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
Tel: (852) 2153 1688
Fax: (852) 3020 5058

CONSTITUTIONAL DOCUMENTS

The Company adopted the Restated Articles on 21 September 2017, for the purpose of the Listing, a copy of which has been posted on the websites of the Stock Exchange (www.hkexnew.hk) and the Company (www.geotech.hk). There had been no change in the Company's constitutional documents during the period from the Listing Date up to 31 December 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Geotech Holdings Limited and its operating subsidiaries ("the Group", "we" or "our") have more than 20 years history in undertaking civil engineering and construction works in Hong Kong. We specialise in undertaking slope works as main contractor and undertake ground investigation field works as subcontractor. Geotech Engineering Limited, our principal operating subsidiary, is an approved contractor by the Development Bureau and the Housing Authority. This had brought us many opportunities to serve Hong Kong society by participating in public works related to landslip prevention and remedial works to slopes or retaining walls. We pledge to deliver premium services to fulfil our commitment to customers.

Being in the construction industry, we always pay due regards to maintaining safety standards and quality control as they can directly affect our staff and reputation. Accordingly, our management system was certified to be in accordance with the standard required under the International Organisation for Standardisation (ISO) 9001:2008 related to quality management, and OHSAS 18001:2007 related to occupational health and safety management. Also, given the nature of our specialties, we fully understand the importance of protecting our natural landscape and the environment. This is reflected in us being certified under ISO 14001:2004 related to environmental management. In February 2017, we were once again named the best LPM contractor by the Civil Engineering and Development Department.

Our management cares about our staff as much as we do Hong Kong society. From 1 January 2017 to 31 December 2017 (the "Review Year"), we made various donations to a professional society, a university and a charity group to help in nurturing Hong Kong's youth and helping those in need.

This report is prepared in compliance with the Environment, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules.

In the following, we would like to present to you in detail our efforts in fulfilling our corporate social responsibility in terms of (I) environmental and (II) social aspects in the Review Year.

I. ENVIRONMENTAL

I.1 Our environmental policy

As mentioned, we have adopted both quality and environmental management systems for our slope works and ground investigation works, which has been assessed and certified as meeting the requirement of ISO 9001:2008 and ISO 14001:2004. Our "Environmental Policy Statement" covers vast areas related to environmental protection. Briefly, it requires us to:

– Maintain strict compliance with relevant environmental legislations and regulations;

– Prevent our operations from harming the environment or public health;

– Perform effective supply chain management to include suppliers' or subcontractors' environmental protection efforts as part of our selection considerations;

– Be open and responsive to the environmental expectations and concerns of our stakeholders; and

– Provide sufficient resources and facilities for the implementation of environmental nuisance abatement, waste management and pest control management

In our organisation, we established a safety & environmental department with a team of environmental management professionals who are responsible for ensuring strict compliance with relevant environmental protection regulations by our operations. This has been achieved by the effective implementation of our "Environmental Management Plan" ("EM plan"). The EM plan lays out the organisational framework and duties and responsibilities for our environmental management functions, which includes an environmental management team for each project, a site safety & environmental committee, and a site safety & environmental management committee.

Guideline for air pollution abatement is set up in the EM plan. It specifies the measures that our construction team should follow in preventing air pollution harm to the public. For example, when dusty construction activities such as demolition work, drilling work, excavation in rock or artificial hard materials are carried out in close proximity to the public, our on-site project team should provide dust abatement measure (water spraying system or the fitting of vacuum cleaning devices) to the satisfaction of the registered engineer of the construction site. It also lists out the mitigation measures in response to gaseous emission, notably black smoke/fumes, from different construction equipment.

In terms of waste handling, we strive to:

– Divert waste to other construction sites for beneficial use;

– Use water-based finishing wherever practicable;

– Reuse hard standing/old bricks;

– Reuse wood packing in formwork;

– Use recyclable containers for fixtures & fittings.

We adopted a "Waste Management Hierarchy" to evaluate our methods of waste management. Four principles ("Avoidance and Minimization", "Reuse", "Recovery and Recycle" and "Treatment and disposal"), are used to decide on our approach to treat waste generated from construction sites. We always choose options that would have the least impact and that are more sustainable to the environment in the long term. Specifically, five waste targets are set:

– All excavated material or pure construction and demolition inert material (e.g. hard rock, sand, soil and broken concrete) should be sorted on site for reuse on the site or disposal to designated outlet (e.g. Public Fill Reception Facility);

– All metal waste should be sorted out and recovered on site for collection by recycling contractors and companies;

– All cardboard and paper packaging (for plant, equipment and material) should be sorted on site. They should be stockpiled properly in dry condition and covered to prevent cross contamination by other construction and demolition waste;

– All chemical waste must be collected and disposed of properly by licensed collectors/contractors;

- All demolition debris should be sorted on site. Broken concrete, reinforcement bars, mechanical electrical fittings, and other hardware and fittings/materials for which established recycling outlets are available should be recovered.

If our site personnel detect any environmental non-compliance, corrective actions will be implemented accordingly to rectify the situation. Weekly or monthly environmental walks will be performed on construction sites to check for any environmental non-compliance. In the Review Year, we did not note any non-compliance in relation to environmental laws and regulations.

I.2 Emissions

Emissions may be inevitable in our industry, but we always try our best to minimize any harmful emissions.

In accordance with the "Air Pollution Control Ordinance" laid down by the EPD, all our machinery used fuel with sulphur content not exceeding 0.005% during industrial processes.

In the Review Year, we did not use any gas and therefore have no relevant greenhouse gas (GHG) emissions to report. We did not produce any hazardous waste from our operations.

The following presents our GHG emissions for the Review Year:

GHG emissions from gaseous fuel consumption:

Aspects 1.1	Unit: gram
Nitrogen oxides	469,567.74
Sulphur oxides	37,071.80
Respiratory suspended particles	1,454.02

GHG emissions from mobile combustion sources:

Aspects 1.2	Unit: kg
Scope 1	
Carbon dioxide	234,223.03
Methane	19.57
Nitrous oxide	81.70

Indirect GHG emission:

Aspects 1.2	Unit: kg (CO2 equivalent)
Scope 2	
Indirect GHG Emissions	68,595

Non-hazardous wastes produced:

Aspects 1.4	Unit	
Non-hazardous waste disposal	Tonnes	7,658.36
Non-hazardous waste intensity	Tonnes/construction project	348.11

During the Review Year, the Group had not received any notification of significant violation of environmental laws and regulations regarding the emissions and discharges from relevant Government authorities, which might have caused substantial impact to the Group.

I.3 Use of Resources

We strive to lower energy consumption, fully utilise resources, and recycle waste in daily office operations.

Our staff recycle used paper for daily printing, save up used envelope for internal communication or drafting, and would prioritize using electronic communication means over printed copies for daily operations. To cut down GHG emission at sources, most of our printing paper had been purchased from farmed trees.

We encourage staff to bring their own lunch box and avoid takeaways for lunch to reduce the use of foam lunch box. At the same time, we remind them to only order what they can eat to reduce food waste.

We place eco-friendly labels around air conditioning switches to remind staff to set the temperature at an eco-friendly level of 25 degrees Celsius. We also place eco-friendly labels around light switches to tell staff to switch off lights not in use.

We entered our office into the Green Office and Eco-Healthy Workplace Awards Labelling Scheme. As recognition of our efforts in building up a green office, we were granted the status of an "eco-healthy workplace" by the World Green Organisation in Autumn 2017.

The following presents our direct energy and water consumption for the Review Year:

Direct energy consumption in total and intensity

Aspects 2.1	Unit	In'000
Electricity usage	kWh	107.2
Electricity usage intensity	kWh/no. of offices (inc HQ + site offices)	17.87

Water consumption in total and intensity

Aspects 2.2	Unit	In'000
Water consumption	cu.m	13.33
Water consumption intensity	cu.m/no. of offices (inc HQ + site offices)	1.67

II. SOCIAL

II.1 Employment and Labour Practices

Our people

We are grateful to have a dedicated team of industry professionals and staff to support our organisation. To reward them, we offer competitive remuneration packages which correspond to their positions, job nature, qualifications and experience.

Through regular and adequate staff appraisals and communications, outstanding staff are rewarded with internal promotion and salary increment. From the ongoing monitoring of the industry's remuneration level by our administrative & HR department and by our management, we are confident our people enjoy competitive remuneration packages and their welfare have been adequately taken care of.

To maintain cordial relationships with our staff, the Group's management maintains close communication with them. They are always welcome to discuss their concerns or grievances encountered at work to us. We would from time to time communicate our expectations to them and direct them to a fruitful career path.

Our staff has always enjoyed equal opportunities while working with us. We fully comply with laws and regulations prohibiting unfair discrimination including the Sex Discrimination Ordinance, the Race Discrimination Ordinance and the Disability Discrimination Ordinance. We build a workplace of equality by a fair and just recruitment process in which we select people only based on their experience and skills. An applicant's sex, religion or skin colour would not in any degree affect his or her chance of being recruited to join our family. The same principle applies to our staff appraisal and counselling processes.

The Group has zero tolerance for using forced or child labour, or the hiring of illegal immigrants in either our office or construction sites. Our administrative & HR department adopts stringent controls in the recruitment process to prevent such illegal recruitments.

We maintain high standards of business ethics and require our employees to abide by the Group's code of conduct as stated in our staff handbook.

During the Review Year, the Group has complied with all applicable laws and regulations in relation to the above employment matters.

Protecting staff's health and safety

Only through protecting our staff can we develop them.

As mentioned, we had obtained OHSAS 18001:2007 from the ISO as a recognition of our compliance with occupational health and safety standards. To ensure workers are fully aware of the potential dangers working at construction sites, they need to attend "specific induction training" and "tool box talk training" before they would be allowed entry to construction sites. "Refresher Training" will also be offered from time to time to remind workers of the importance of following safety rules.

We require all staff who work in construction sites to wear personal protective equipment at all times, including safety helmets, safety boots, dust masks, reflective vest and safety goggles. Our Safety Officer and Safety Supervisors are responsible for overseeing whether all the safety measures are in place and followed by our staff. Our site Safety Officers would perform site inspection on a regular basis and would rectify any breaches and unsafe conditions promptly once discovered.

In the Review Year, we are glad that no fatalities occurred at either our head office or construction sites. For lost days due to work injuries, there were only 2 cases of work injuries which resulted in a man-day loss of 245 days.

Training and Development

To motivate employees' self-learning and development, we offer training sponsorship. The sponsorship would be granted for courses relevant to the applicant's job duties and those which can help them develop their career.

To help new hires merge into the Group's environment and culture, we provide a staff handbook and an orientation course for them to familiarise themselves with their job duties and our expectations on them.

For safety related site training, we follow the requirement of Construction Site Safety Manual of the Development Bureau to prepare training plans for all our projects. The induction training is for 1 hour and the tool box talk are 15 minutes each. The total number of hours trained inclusive of both types of training was 1,440 hours.

II.2 Operating Practices

Supply Chain Management

Our suppliers' and subcontractors' performance are the keys to us achieving proper environmental management. We evaluate our subcontractors' performance from time to time on aspects including:

– Results from weekly environmental inspection

– Attendance at environmental meeting and training

- Records of environmental incidents
- Complaint records from the public

Further, we implement a penalty system regarding environmental breaches to regulate the behaviours of subcontractors. Environmental breaches are classified into different items and each attracts penalties depending on the seriousness of its environmental impact. Our subcontractors will be cautious to adhere to our requirement as serious breaches can mean losing business with us.

Whenever we need to source for new materials, we would seek them through a fair and unbiased tender process. Selection criteria include the price offered by the contractor, their capabilities to meet our requirement in terms of product and service quality, as well as service support.

Service pledge to our customer

The cornerstone to our success has been the trust we built between ourselves and customers. Accordingly, we had set up customer communication channels, including headquarter hotline and construction site representatives, for handling customer enquiries and complaints. We pledge to resolve any enquiries and complaints to the satisfaction of our customers and deliver the best construction service available.

Anti-Corruption

Over the years, we have not witnessed any suspected or actual bribery, extortion, fraud or money laundering activities occurring within the Group. We stand firmly by our anti-corruption policies and procurement practices as stated in our internal manuals. Acceptance of kickbacks, commissions or any forms of benefits are strictly prohibited during any procurement, contract negotiations or other business dealings.

The manuals also outline guidance over conflicts of interest, intellectual property rights, privacy and information confidentiality, bribery and corruption, and equal opportunities.

Gift policy in our internal manuals clearly states the required process and procedure for handling and accepting gifts and advantages.

In the Review Year, to the best of our knowledge, we noted no fraud or corruption which occurred within the Group and we had fully complied with laws and regulations related to anti-bribery and corruption.

II.3 Community Involvement

a. Donation to the Hong Kong Institute of Engineers ("HKIE")

We help nurture professionals of our industry through our donation to the "LPM Contractors Scholarship" organised by the HKIE. The scholarship provides financial assistance and encouragement to undergraduate students to pursue studies in geotechnical engineering. The Group have signed up for a recurring annual donation for 10 years and will continue our efforts to help provide opportunities to young people to join the industry.

b. ***Donation to the CityU Foundation***

The foundation has been established by the City University of Hong Kong to enhance the quality of teaching and learning through improving the facilities and related resources of the university, to advance research and technology development, to meet the needs of various sectors of society, and to further the all-round development of the students at the university and to enhance their competitiveness. We have donated to the organisation for holding its annual dinner in 2017.

c. ***Donation to Food Angel***

Food Angel is a food rescue and food assistance program launched in 2011 by Bo Charity Foundation with the motto "Waste not, Hunger not, With love". The program rescues edible surplus food from different sectors of the food industry that would otherwise be disposed of as waste. By donating to the program, we hope to wipe out hunger from the underprivileged communities in Hong Kong.

d. ***Construction Safety Promotional Campaign 2017***

We care about not only the safety of our staff but also of the peers working in the industry. Thus, we made a donation to the Occupational Safety and Health Council in support of its "Construction Safety Promotional Campaign 2017". The campaign held a Construction Safety Forum and Award Presentation on 5 July 2017 Wednesday. The competition attracted contractors with different specialties, including scaffolding, refurbishment and maintenance, and lift and escalator mechanics. We believe the event had significantly raised safety awareness of the workers in these trades and had helped reduce work injuries in the construction industry.

e. ***Donation to Pei Ho (Ming Gor) Charity Foundation Limited***

Pei Ho (Ming Gor) Charity Foundation Limited is a charity organisation that focuses on helping the poor and promoting vocational works by youth to help people in need at different levels of society. In September 2017, we made a donation to this charity in support of their efforts to help people in need.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

In the future, we will:

- Continue our efforts in environmental protection and stringent monitoring of subcontractors' environmental performance;
- Uphold our high standard of occupational health and safety and ensure our staff can enjoy a fruitful career path with us; and
- Nurture more and more industry professionals and youth to contribute to Hong Kong society.

DIRECTORS' REPORT

The Board is pleased to present their first report together with the audited consolidated financial statements of the Group for the Review Year (the "Financial Statements").

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands with limited liability on 6 June 2016. The Company completed the corporate reorganisation (the "Reorganisation") on 15 September 2017 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History and Development – Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 12 October 2017 by way of share offer.

The principal place of business of the Company is located at Unit 05-08, 11/F, Delta House, 3 On Yiu Street, Shek Mun, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries within the Group are set out in note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Review Year.

RESULTS/BUSINESS REVIEW

The results of the Group for the Review Year are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 49 in this annual report. The business review and outlook of the Group for the Review Year are set out in the section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights to attend and vote at the annual general meeting to be held on 8 June 2018 (the "AGM"), the register of members of the Company will be closed from 5 June 2018 to 8 June 2018 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on 4 June 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Review Year are set out in note 13 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Review Year are set out in note 14 to the consolidated financial statements.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group relating to our business:

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

We have relied and will continue to focus on public sector slope works. Projects awarded, by their nature, are only procured by our customers from a limited number of project employers who are normally Government departments and statutory bodies. For the Review Year, revenue attributable to public sector projects amounted to approximately HK$238.7 million (2016: approximately HK$316.1 million), representing approximately 86.5% (2016: approximately 91.7%) of our total revenue. Contracts from the Government departments and statutory bodies are normally awarded to contractors by way of public tender and there is no assurance that we will continue to obtain contracts from Government departments and statutory bodies in the future. If we are unable to successfully tender for contracts from Government departments and statutory bodies or if there is a significant decrease in our revenue from public sector projects, our business operations, financial results and profitability will be adversely affected.

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

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

For the Review Year, revenue generated from public sector projects contributed to approximately 86.5% of our total revenue. The delay in progress of public sector projects may adversely affect the demand for our slope works services and our results of operation. Delay in the progress of public sector projects may be caused by, among other things, political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Our engagement in public sector projects depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members thereof has often led to delays in the passing of public works funding proposals in recent years.

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

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

An analysis of the Group's financial risk management (including interest rate risk, credit risk, and liquidity risk) objectives and policies are provided in note 32 to the Financial Statements.

There may be other risks and uncertainties in addition to those shown above which are not known to our Group or which may not be material now but could turn out to be material in the future.

SHARE CAPITAL

The Company's total issued share capital as at 31 December 2017 was 1,400,000,000 ordinary shares of HK$0.01 per share.

Details of movements during the Review Year in the share capital of the Company are set out in note 25 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group during the Review Year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 51 of this annual report.

As at 31 December 2017, the Company has reserves amounting to approximately HK$76.9 million available for distribution (31 December 2016: HK$ nil).

DIRECTORS

The Directors who held office during the period from the Listing Date up to 31 December 2017 and up to the date of this annual report are:

Executive Directors

Mr. Yau Kin Wing Sino *(Chairman)*
Mr. Kung Ho Man *(Chief Executive Officer)*
Ms. Tang Ka Wa Danise
Mr. Cheung Ting Kam (passed away on 21 January 2018)

Independent non-executive Directors

Mr. Chow Chun To
Mr. Cheung Wai Lun Jacky
Mr. Fung Chi Kin

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date of the Company, unless terminated by not less than one month's notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing from the Listing Date, unless terminated by not less than one month's notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming AGM, has a service contract or appointment letter with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Review Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code, notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Yau Kin Wing Sino	Interests held jointly with other persons; interests in controlled corporation *(Note)*	1,050,000,000	75%
Mr. Cheung Ting Kam	Interests held jointly with other persons; interests in controlled corporation *(Note)*	1,050,000,000	75%
Mr. Kung Ho Man	Interests held jointly with other persons; interests in controlled corporation *(Note)*	1,050,000,000	75%
Ms. Tang Ka Wa Danise	Interests held jointly with other persons; interests in controlled corporation *(Note)*	1,050,000,000	75%

Note:

1,027,000,000 Shares and 23,000,000 Shares are held respectively by Flourish Team Limited ("Flourish Team") and Double Wink Limited ("Double Wink"), representing approximately 73.4% and 1.6% of our entire issued share capital of the Company respectively and 75% of the entire issued share capital of the Company collectively. Mr. Yau, and Mr. Kung holds 48.98%, and 2.04% respectively and the late Mr. Cheung Ting Kam held 48.98% of the entire issued share capital of Flourish Team and Ms. Tang holds the entire issued share capital of Double Wink. Mr. Yau, Mr. Kung, Ms. Tang, Flourish Team and Double Wink are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) as at 31 December 2017, the late Mr. Cheung Ting Kam was a party to the aforementioned acting in concert party. Therefore, each of Mr. Yau, the late Mr. Cheung Ting Kam, Mr. Kung, Ms. Tang were deemed, or taken to be, interested in all our Shares held by Flourish Team and Douoble Wink for the purposes of the SFO as at 31 December 2017. Each of Mr. Yau and Mr. Kung is a director of Flourish Team and Ms. Tang is a director of Double Wink and the late Mr. Cheung Ting Kam was a director of Flourish Team as at 31 December 2017.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Approximate Percentage of shareholding
Mr. Yau Kin Wing Sino	Flourish Team	Beneficial owner	2,449	48.98%
Mr. Cheung Ting Kam	Flourish Team	Beneficial owner	2,449	48.98%
Mr. Kung Ho Man	Flourish Team	Beneficial owner	102	2.04%

Except as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2017 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested in	Percentage of shareholding
Flourish Team	Beneficial owner	1,050,000,000	75%
Ms. Yam Yau Tim *(Note 1)*	Interest of spouse	1,050,000,000	75%
Ms. Tang Yim Ling *(Note 2)*	Interest of spouse	1,050,000,000	75%
Ms. Wan On Man Amy *(Note 3)*	Interest of spouse	1,050,000,000	75%
Double Wink	Beneficial owner	1,050,000,000	75%
Mr. Lee Tsz Kit Gordon *(Note 4)*	Interest of spouse	1,050,000,000	75%

Notes:

1. Ms. Yam Yau Tim is the spouse of Mr. Yau. Accordingly, Ms. Yam Yau Tim is deemed, or taken to be, interested in all 1,050,000,000 Shares in which Mr. Yau is interested for the purpose of the SFO.

2. Ms. Tang Yim Ling is the window of the late Mr. Cheung Ting Kam who passed away on 21 January 2018. Accordingly, Ms. Tang Yim Ling Tim was deemed, or taken to be, interested in all 1,050,000,000 Shares in which the late Mr. Cheung Ting Kam was interested as at 31 December 2017 for the purpose of the SFO.

3. Ms. Wan On Man Amy is the spouse of Mr. Kung. Accordingly, Ms. Wan On Man Amy is deemed or taken to be, interested in all 1,050,000,000 Shares in which Mr. Kung is interested for the purpose of the SFO.

4. Mr. Lee Tsz Kit Gordon is the spouse of Ms. Tang. Accordingly, Mr. Lee Tsz Kit Gordon is deemed, or taken to be, interested in all 1,050,000,000 Shares in which Ms. Tang is interested for the purpose of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Review Year and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Apart from the contracts relating to the Reorganisation of the Group in relation to the Listing and save for the related party transactions disclosed in note 29 to the Financial Statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, or its holding company was a party and in which a Director or an entity connected with a Director had a material interests directly or indirectly subsisted at the end of the year or at any time during the year ended 31 December 2017.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2017.

CONNECTED/RELATED PARTY TRANSACTIONS

During the Review Year, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Details of the significant related party transactions undertaken in the normal course of business are set out in the note 29 to the Financial Statements.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under Hong Kong Accounting Standard 24 "Related Party Disclosures", and its interpretations by the Hong Kong Institute of Certified Public Accountants. Certain related party transactions set out in note 29 to the Financial Statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none constitutes a discloseable connected transaction as required under the Listing Rules.

NON-COMPETITION UNDERTAKING

Mr. Yau, the late Mr. Cheung Ting Kam, Mr. Kung, Ms. Tang, Flourish Team and Double Wink (collectively, the "Controlling Shareholders") entered into a deed of non-competition dated 21 September 2017 in favour of the Company and the subsidiaries (the "Deed of Non-Competition"). Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries), among others, that, during the period in which (i) the Shares remain listed in the Stock Exchange and (ii) the Controlling Shareholder and their close associates (other than members of the Group) individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meeting of the Company or the Controlling Shareholders or the relevant close associate remains as a director of any member of the Group, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not carry on or be engaged, concerned or interested, or otherwise be involved directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time.

Each of the Controlling Shareholders further undertakes that if any business investment or other commercial opportunity which may compete with the business of the Group is identified by or offered to him/it, he/it shall procure that his/its close associates promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity. The Group shall within 30 days after the receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Controlling Shareholders whether the Group will exercise the right of first refusal.

The Company has received a written confirmation from the Controlling Shareholders that they have complied with the terms of the Deed of Non-Competition during the period from the Listing Date up to 31 December 2017.

All independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition entered into by the Controlling Shareholders as to whether the Controlling Shareholders had abided by the Deed of Non-Competition. All independent non-executive Directors also confirmed that the Controlling Shareholders have not breached the Deed of Non-Competition during the period from the Listing Date up to 31 December 2017.

COMPETING INTERESTS

The Directors confirm that none of the Directors, the controlling shareholders of the Company or their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Review Year, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISER'S INTEREST

As notified by the Company's compliance adviser, RHB Capital Hong Kong Limited ("**RHB**"), as at 31 December 2017, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 21 September 2017, RHB nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities.

Pursuant to the Restated Articles, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 21 September 2017. The principal terms of the Share Option Scheme is summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 31 December 2017.

The maximum number of shares which can be awarded under the Share Option Scheme is 10% (i.e. 140,000,000 Shares) of the Shares in issue as at the Listing Date. Upon acceptance of an offer for grant of option(s) under the Share Option Scheme, the participant shall pay HK$1.00 to our Company by way of consideration for the grant, which option(s) will be offered for acceptance for a period of 21 days from the date of grant.

Unless approved by Shareholders in a general meeting, the amount of Shares which can be awarded to a substantial Shareholder or an independent non-executive Director or their respective associates in the Share Option Scheme in the 12-month period up to and including the date of such grant for any particular aforementioned person in aggregate, is at maximum 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, of a maximum of HK$5.0 million.

The subscription price for the Shares subject to any particular option under the Share Option Scheme shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

DONATIONS

The Group's charitable donations during the Review Year amounted to HK$172,000 (2016: HK$390,000).

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into during the Review Year.

MAJOR CUSTOMERS AND SUPPLIERS

For the Review Year, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 26.9% and 65.0% (2016: approximately 15.2% and 51.2%) respectively of the Group's total purchases for the Review Year. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 43.4% and 74.5% (2016: approximately 69.5% and 85.8%) respectively of the Group's total revenue for the Review Year.

To the best of the Directors' knowledge, none of the Directors and none of the Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) and none of their respective close associates had any material beneficial interest in the Group's five largest customers or suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group has maintained good relationship with our employees. The Group offers to our employees salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The 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.

Customers

The Group has established stable business relationships with our major customers who are mostly Hong Kong Government departments including CEDD, Lands Department and Highways Department. Among our five largest customers (in terms of revenue) during the Review Year, we have been providing services to them for a period ranging from 2 to 17 years.

Directors consider that our long-term business relationships with our major customers and suppliers enhance our market recognition and enable us to attract more potential business opportunities.

A majority of the Group's five largest customers have had long-standing business relationships with the Group for a period ranging from approximately 2 to 14 years. The Group will therefore endeavor to accommodate their demands for the Group's services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future. The Group's experience as a quality subcontractor in slope works and ground investigation field works projects provides the Group's customers certain business advantages in that their projects are executed in accordance with their quality standards.

Suppliers and subcontractors

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

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

Subject to the Group's capacity, resource level, cost effectiveness, complexity of projects and customers' requirements, the Group may subcontract slope works such as geotechnical works, drainage works, earthworks, concreting, formwork erection, fixing steel bar and landscaping to other subcontractors. The Group is accountable to customers for the works subcontracted by us to our subcontractors.

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes during the Review Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules since the Listing Date up to the date of this annual report.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries from the Listing Date up to 31 December 2017.

BORROWINGS

Details of borrowings of the Group as at 31 December 2017 are set out in note 22 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Restated Articles and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group during the Review Year are set out in note 12 to the Financial Statements.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 14 to 23 in this report.

FINAL DIVIDEND

The Board has declared and paid dividends of HK$30.0 million during the Review Year (2016: Nil) before Listing. The dividends were financed by internal resources.

AUDIT COMMITTEE

The Audit Committee has reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the Financial Statements for the Review Year.

AUDITORS

The Financial Statements for the Review Year have been audited by Grant Thornton, who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. There has been no change in auditors since the Listing Date.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

1. Mr. Cheung Ting Kam, an executive Director and a member of the Remuneration Committee and the vice chairman of the Board passed away on 21 January 2018.

   Under recommendation from the Nomination Committee, the Board has appointed Mr. Kung, the Chief Executive Officer of the Company and an executive Director, as a member of the Remuneration Committee. For further details, please refer to the announcement of the Company dated 23 January 2018.

2. RHB has resigned as the compliance adviser of the Company with effect from 1 January 2018 due to the change in personnel of RHB. Grande Capital Limited has been appointed as the new compliance adviser to the Company pursuant to Rule 3A.27 of the Listing Rules with effect from 25 January 2018. For further details, please refer to the announcements of the Company dated 29 December 2017 and 25 January 2018.

On behalf of the Board
Yau Kin Wing Sino
Chairman and Executive Director

Hong Kong, 29 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GEOTECH HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Geotech Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 103, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for each of the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for each of the year ended 31 December 2017 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Accounting for construction contracts

Refer to the summary of significant accounting policies in notes 2.7 and 2.13, note 4a and note 5 to the consolidated financial statements.

Key Audit Matter

The Group recognised revenue and cost from construction contracts amounted to approximately HK$275,813,000 and HK$232,668,000 respectively for the year ended 31 December 2017.

The Group's revenue and costs of construction contracts are recognised by reference to the stage of completion of the construction contracts during the year with reference to the progress certificates issued by the customers or their agents. The stage of completion requires the management's estimation of the final outcome of the construction contracts. In addition, significant judgement is required in estimating the contract revenue, the contract costs and variation works which may have an impact on percentage of completion of the construction contracts and the corresponding profit margin.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the construction contracts included the following:

- Understood the basis of estimation of the budgets through discussion with the management who is responsible for the budgeting of the construction contracts, and evaluated the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects;

- Inspected the terms and conditions of construction contracts such as contract sum, construction period, performance obligations, payment schedule, retention and warranty clauses, etc.;

- Assessed and checked, on a sample basis, the accuracy of the budgeted construction revenue by agreeing to contract sum or variation orders as set out in the construction contracts or the agreements entered with customers;

- Selected, on a sample basis, the construction contracts to examine project manager's budget of the cost components, such as cost of materials, subcontracting charges and labour costs, etc. We compared the budgeted construction costs to supporting documents including but not limited to invoices, quotations and rate of labour costs, etc.;

- Checked, on a sample basis, the progress certificates issued by the customers and the actual costs incurred on construction works to supporting documents during the reporting period; and

- Evaluated the management's assessment on the stage of completion of the construction contracts, on a sample basis, based on the latest progress certificates issued by the customers or their agents, including the certified contract work and variation orders, if any, and discussed with management and the respective project managers about the progress of the projects.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2017 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

29 March 2018

Chan Tze Kit
Practising Certificate No.: P05707

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	**275,813**	344,766
Direct costs		**(232,668)**	(295,210)
Gross profit		**43,145**	49,556
Other income	6	**2,138**	3,103
Administrative expenses		**(30,592)**	(25,796)
Finance costs	7	**(354)**	(358)
Profit before income tax	8	**14,337**	26,505
Income tax expense	9	**(4,820)**	(6,101)
Profit for the year		**9,517**	20,404
Other comprehensive income/(expense), net of tax			
Items that may be classified subsequently to profit or loss			
Fair value gain/(loss) on available-for-sale financial assets		**151**	(9)
Total comprehensive income for the year		**9,668**	20,395
		HK cents	HK cents
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	11	**0.79**	1.77

The notes on pages 53 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	13	8,605	5,258
Available-for-sales financial assets	15	1,281	1,130
		9,886	6,388
Current assets			
Trade and other receivables	16	57,837	49,640
Amounts due from directors	17	–	15,272
Amounts due from related companies	18	–	267
Amounts due from customers on construction contracts	19	49,945	42,402
Tax recoverable		2,931	1,538
Cash and bank balances	20	109,386	53,411
		220,099	162,530
Current liabilities			
Trade and other payables	21	30,288	37,791
Borrowings, secured	22	10,000	16,667
Obligation under finance leases	23	490	–
Amounts due to customers on construction contracts	19	1,250	2,481
Amounts due to directors	17	–	5
		42,028	56,944
Net current assets		178,071	105,586
Total assets less current liabilities		187,957	111,974
Non-current liabilities			
Obligation under finance leases	23	433	–
Deferred tax liabilities	24	1,039	519
		1,472	519
Net assets		186,485	111,455
Capital and reserves			
Share capital	25	14,000	10,011
Reserves	26	172,485	101,444
Equity attributable to equity holders of the Company		186,485	111,455

Mr. Yau Kin Wing Sino
Director

Mr. Kung Ho Man
Director

The notes on pages 53 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK$'000 (Note 25)	Share Premium* HK$'000 (Note 26)	Capital Reserve* HK$'000 (Note 26)	Available-for-sale financial assets revaluation reserve* HK$'000 (Note 26)	Retained earnings* HK$'000	Total HK$'000
Balance at 1 January 2016	10,010	–	–	18	81,031	91,059
Profit for the year	–	–	–	–	20,404	20,404
Other comprehensive income, net of tax:						
Items that may be classified subsequently to profit or loss						
– Fair value loss on available-for sale financial assets	–	–	–	(9)	–	(9)
Total comprehensive income for the year	–	–	–	(9)	20,404	20,395
Transactions with owners:						
Issue of share	1	–	–	–	–	1
Balance at 31 December 2016 and 1 January 2017	10,011	–	–	9	101,435	111,455
Profit for the year	–	–	–	–	9,517	9,517
Other comprehensive income, net of tax:						
Items that may be classified subsequently to profit or loss						
– Fair value gain on available-for sale financial assets	–	–	–	151	–	151
Total comprehensive income for the year	–	–	–	151	9,517	9,668
Transaction with owners:						
Effect of reorganisation	(10,011)	–	10,011	–	–	–
Share capitalisation issue *(Note 25)*	11,500	(11,500)	–	–	–	–
Issue of share capital *(Note 25)*	2,500	92,862	–	–	–	95,362
Interim dividend 2017 *(Note 10)*	–	–	–	–	(30,000)	(30,000)
Transaction with owners	3,989	81,362	10,011	–	(30,000)	65,362
Balance at 31 December 2017	**14,000**	**81,362**	**10,011**	**160**	**80,952**	**186,485**

* The reserves accounts comprise the Group's reserves of HK$172,485,000 (2016: HK$101,444,000) as at 31 December 2017 in the consolidated statement of financial position.

The notes on pages 53 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flow from operating activities		
Profit before income tax	14,337	26,505
Adjustments for:		
Depreciation	2,904	4,365
Finance costs	354	358
Interest income	(22)	–
Gain on disposal of property, plant and equipment	(118)	(12)
Operating profit before working capital changes	17,455	31,216
(Increase)/Decrease in trade and other receivables	(1,400)	3,958
(Increase)/Decrease in amounts due from customers on construction contracts	(7,543)	19,149
Decrease in trade and other payables	(7,503)	(8,897)
Decrease in amounts due to customers on construction contracts	(1,231)	(674)
Cash (used in)/generated from operations	(222)	44,752
Interest paid	(354)	(358)
Income tax paid	(5,693)	(23,097)
Net cash (used in)/generated from operating activities	(6,269)	21,297
Cash flow from investing activities		
Interest received	22	–
Prepayment paid for purchase of property, plant and equipment	(6,797)	–
Purchase of property, plant and equipment	(6,221)	(609)
Proceeds from disposal of property, plant and equipment	1,221	1,011
Net cash (used in)/generated from investing activities	(11,775)	402
Cash flow from financing activities		
Proceeds from issuance of share capital	105,000	–
Share issuance expenses of Listing	(9,638)	–
Proceeds from new borrowings	–	20,000
Repayment of borrowings	(6,667)	(4,193)
Payment of finance lease liabilities	(210)	(1,289)
Dividend paid	(30,000)	–
Decrease/(Increase) in amount due from/to directors	15,267	(25,020)
Decrease/(Increase) in amounts due from related companies	267	(94)
Net cash generated from/(used in) financing activities	74,019	(10,596)
Net increase in cash and cash equivalents	55,975	11,103
Cash and cash equivalents at the beginning of year	53,411	42,308
Cash and cash equivalents at end of year (Note 20)	109,386	53,411

The notes on pages 53 to 103 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Geotech Holdings Ltd. (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 6 June 2016. The addresses of the registered office and the principal place of business of the Company are Units 05-08, 11/F, Delta House, 3 On Yiu Street, Shek Mun, New Territories.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the "Group") are principally engaged in undertaking slope works in Hong Kong as a main contractor.

As at 31 December 2017, the directors considered the Company's immediate and ultimate holding company to be Flourish Team Limited, a company incorporated in the British Virgin Islands (the "BVI") and owned as to 49% by Mr. Yau Kin Wing Sino ("Mr. Yau"), 49% by the late Mr. Cheung Ting Kam, and 2% by Mr. Kung Ho Man ("Mr. Kung"). Ms. Tang Ka Wa Danise ("Ms. Tang") holds 2% interest in the Company via Double Wink Limited, a company incorporated in the BVI. Flourish Team Limited, Double Wink Limited, Mr. Yau, the late Mr. Cheung Ting Kam, Mr. Kung and Ms. Tang are referred to as the "Controlling Shareholders".

The Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 October 2017.

These consolidated financial statements for the year ended 31 December 2017 were approved for issue by the board of directors on 29 March 2018.

1.2 Reorganisation and basis of presentation

Pursuant to a group reorganisation (the "Reorganisation") of the Company in connection with the listing of its shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 15 September 2017. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History and Development" in the Company's prospectus dated 28 September 2017. The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2017 and 2016 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended 31 December 2017 and 2016, or since their respective dates of incorporation, where it is a shorter period.

1. GENERAL INFORMATION AND BASIS OF PRESENTATION (Continued)

1.2 Reorganisation and basis of presentation (Continued)

The consolidated statements of financial position as at 31 December 2017 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those respective dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented in the consolidated financial statements. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale which is stated at fair value. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("HK$'000"), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 “Financial Instruments: Recognition and Measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company’s statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee’s pre or post-acquisition profits are recognised in the Company’s profit or loss.

2.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Plant and machinery	30%
Motor vehicles	20% to 30%
Furniture and fixtures	20%
Leasehold improvement	33⅓% to 50%
Computer and software	20 to 30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.5 Financial assets

The Group's accounting policies for financial assets are set out below.

Financial assets are classified into loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

Impairment of financial assets (Continued)

ii) Available-for-sale financial assets carried at fair value

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

iii) Available-for-sale financial assets carried at cost

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest Group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or a combination of assets where the customer is able to specify the major structural elements of the design.

The Group's construction contracts are at fixed prices. The accounting policy for contract revenue is set out in Note 2.13.

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the reporting date are recorded in the consolidated statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented as "Amounts due from customers on construction contracts" (an asset) or "Amounts due to customers on construction contracts" (a liability). Progress billings not yet paid by customers are included in the consolidation statement of financial position under "Trade and other receivables". Amounts received before the related work is performed are recorded under "Trade and other payables".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial liabilities

The Group's financial liabilities include obligation under finance leases, borrowings, amounts due to directors, amounts due to related companies and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.16).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.10).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables, amounts due to directors and amounts due to related companies

Trade and other payables, amounts due to directors and amounts due to related companies are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

Assets leased out under operating leases as the lessor (Continued)

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.11 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction are deducted from the share premium.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Contracting revenue

When the outcome of a construction contract can be estimated reliably revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is generally established according to the progress certificate (by reference to the construction works certified by the customers or their agents) issued by the customer or its agent.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

2.14 Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"). Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.16 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

2.19 Related parties

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSS

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2017

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's consolidated financial statements and effective for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented:

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note 31. Consistent with the transitional provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 31, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle "Disclosure of Interests in Other Entities"

The amendments to HKFRS 12 clarify the scope of HKFRS 12 by specifying that its disclosure requirements (except for the summarised financial information for an interests in a subsidiary, a joint venture or an associate which is classified as held for sale in accordance with HKFRS 5) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with HKFRS 5.

3. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS4 Insurance Contracts[1]
Amendments to HKFRS 9	Repayment Features with Negative Compensation[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Considersation[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective date to be determined.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2021.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 15 Revenue from contracts with customers

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 Contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual periods beginning on/after 1 January 2018. The Group has started to assess the impact of HKFRS 15 and expects to apply HKFRS 15, in accordance with modified retrospective approach under which the cumulative effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Based on a preliminary assessment, the Directors anticipated that the application of HKFRS 15 may result in more disclosures, however, it is not expected to have significant impact on the Group's consolidated financial statements based on the assessment on the existing contracts with customers after taking into account the above core principle.

HKFRS 9 Financial instrument

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income for the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

3. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 9 Financial instrument (Continued)

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case, all gains or losses on that liability are to be presented in profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assess hedge effectiveness.

Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(a) Classification and measurement — HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"). The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss. The Group has assessed that its financial assets currently measured at amortised cost and FVTOCI will continue with their classification and measurements upon the adoption of HKFRS 9. The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment — The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses. Based on a preliminary assessment, the directors of the Group anticipate that the adoption of HKFRS 9 would not have material impact on the results and financial position of the Group.

3. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 16 Leases

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. The Directors are yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices

- assessing their current disclosures for finance leases (Note 23) and operating leases (Note 28) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions assessing the additional disclosures that will be required.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Construction contracts

As explained in Notes 2.6 and 2.12, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers and their agents. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Construction contracts (Continued)

Management exercised their judgements and estimated based on contract costs and revenues with reference to the latest available information, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

As at 31 December 2017, the carrying amounts of the Group's contract work-in-progress is HK$48,695,000 (2016: HK$39,921,000). Details of the amounts due from/(to) customers on construction contracts are disclosed in Note 19.

(b) Provision for impairment of trade receivables

The Group determines the provision for impairment of trade receivables. This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

As at 31 December 2017, the carrying amounts of the Group's trade receivables is HK$13,928,000 (2016: HK$21,043,000) respectively. Details of the trade receivables are disclosed in Note 16.

5. REVENUE

The Group's principal activities are disclosed in Note 1.1 of the consolidated financial statements.

Revenue recognised for the years ended 31 December 2017 and 2016 are as follows:

	2017 HK$'000	2016 HK$'000
Contracting revenue	275,813	344,766

The chief operating decision maker has been identified as the executive directors of the Company. The Directors regards the Group's business of slope, foundation and general building works as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

5. REVENUE (Continued)

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2017 **HK$'000**	2016 HK$'000
Customer A	**119,571**	239,675

6. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Consultancy fee income	**300**	125
Management fee income	**–**	24
Rental income from lease of machinery	**261**	289
Government grants *(Note)*	**71**	–
Labour charges income	**82**	1,322
Safety consultancy income	**623**	617
Interest income	**22**	–
Other	**779**	726
	2,138	3,103

Note: Government grants of HK$71,000 was granted during the year ended 31 December 2017 to subsidy the retirement of Pre-Euro IV Diesel Commercial Vehicles of the Group. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grant in the future.

7. FINANCE COSTS

	2017 **HK$'000**	2016 HK$'000
Bank loan and overdrafts interest	**342**	327
Finance charge on obligations under finance lease	**12**	31
	354	358

8. PROFIT BEFORE INCOME TAX

	2017 HK$'000	2016 HK$'000
Profit before tax is stated after charging/(crediting):		
(a) **Staff costs (including directors' remuneration *(Note 12(a))*)**		
Salaries, wages and other benefits	34,607	38,247
Discretionary bonuses	4,651	3,155
Contributions to defined contribution retirement plans *(note (ii))*	1,331	1,357
Staff costs (including directors' remuneration) *(note (i))*	40,589	42,759
(b) **Other items**		
Depreciation, included in:		
Direct costs		
– Owned assets	740	1,360
– Leased assets	32	–
Administrative expenses		
– Owned assets	2,116	3,005
– Leased assets	16	–
	2,904	4,365
Operating lease charges in respect of premises	1,990	2,252
Subcontracting charges (included in direct costs)	174,438	226,567
Listing expenses	10,705	8,624
Gain on disposal of property, plant and equipment	(118)	(12)
Auditors' remuneration	1,206	175

Note (i): Staff costs (including directors' remuneration)

	2017 HK$'000	2016 HK$'000
Direct costs	29,698	33,400
Administrative expenses	10,891	9,359
	40,589	42,759

Note (ii): Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit during the year ended 31 December 2017 (2016:16.5%).

	2017 HK$'000	2016 HK$'000
Provision for Hong Kong profits tax		
– Current tax	4,050	5,995
– Under provision in respect of prior years	250	–
	4,300	5,995
Deferred tax *(Note 24)*	520	106
Total income tax expense	4,820	6,101

The taxation for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit before taxation	14,337	26,505
Tax at Hong Kong profits tax rates of 16.5%	2,366	4,373
Tax effect of expense not deductible for tax purpose *(note)*	2,228	1,517
Tax effect of non-taxable income	(8)	–
Utilisation of tax losses previously not recognised	(71)	–
Tax losses not recognised	–	328
Under provision in respect of prior years	250	–
Other	55	(117)
Income tax expense for the year	4,820	6,101

Note: Tax effect of expense not deductible for tax purpose for the years ended 31 December 2017 and 2016 was mainly arose from listing expenses.

10. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim dividends	**30,000**	–

Prior to the Reorganisation, Praise Marble Limited ("Praise Marble") had declared to its then equity owner of HK$30,000,000 (2016: HK$ nil) for the year ended 31 December 2017.

The rates for dividends and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

No final dividend proposed after the reporting date.

11. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the following:

	2017 HK$'000	2016 HK$'000
Earnings		
Profit for the year attributable to equity holders of the Company	**9,517**	20,404
	'000	'000
Number of shares		
Weighted average number of ordinary shares	**1,205,479**	1,150,000

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2017 includes (i)100 ordinary shares in issue at beginning of the year; (ii) 1,149,999,900 new ordinary shares issued pursuant to the Capitalisation Issue (note 25(iii)), as if all these shares had been in issue throughout the year ended 31 December 2017, and (iii) 55,479,000 shares, representing the weighted average of 250,000,000 new ordinary shares issued pursuant to the public offer and placing of shares of the Company (the "Share Offer") (note 25(iv)).

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2016 representing the number of ordinary shares of the company immediately after the Capitalisation Issue (note 25(iii)), as if all these shares had been in issue throughout the year ended 31 December 2016.

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016 and therefore, diluted earnings per share equals to basic earnings per share.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Remuneration of the directors disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	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 2017					
Executive directors:					
Mr. Yau *(Note ii)*	–	1,248	113	18	1,379
Mr. Cheung Ting Kam *(Note iii)*	–	1,259	113	18	1,390
Mr. Kung *(Note i)*	–	989	139	26	1,154
Ms. Tang *(Note ii)*	–	671	95	24	790
Independent non-executive directors:					
Mr. Fung Chi Kin *(Note iv)*	–	102	–	–	102
Mr. Chow Chun To *(Note iv)*	–	51	–	–	51
Mr. Cheung Wai Lun Jacky *(Note iv)*	–	51	–	–	51
	–	4,371	460	86	4,917

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	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 2016					
Mr. Yau *(Note ii)*	–	1,286	100	18	1,404
Mr. Cheung Ting Kam *(Note iii)*	–	1,297	100	18	1,415
Mr. Kung *(Note i)*	–	863	109	25	997
Ms. Tang *(Note ii)*	–	655	83	22	760
	–	4,101	392	83	4,576

(i) Appointed on 6 June 2016 and also as the Chief Executive Officer of the Company, the remuneration for Chief Executive Officer is also included.

(ii) Appointed on 6 June 2016.

(iii) Appointed on 6 June 2016 and deceased on 21 January 2018.

(iv) Appointed on 19 September 2017.

For the year ended 31 December 2017, no emoluments were paid by the Group to the above directors as an inducement to join or upon joining the Group.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individual

The five highest paid individuals of the Group include three directors for the year ended 31 December 2017 (2016: four), whose emoluments are disclosed in note 12(a). The aggregate of the emoluments in respect of the remaining two (2016: one) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, fee and allowances	1,225	662
Discretionary bonuses	412	67
Retirement scheme contributions	36	18
	1,673	747

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands:		
HK$ nil – HK$1,000,000	2	1

For the year ended 31 December 2017, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group (2016: nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Leasehold Improvement HK$'000	Computer and software HK$'000	Total HK$'000
Cost						
At 1 January 2016	971	13,082	3,041	2,743	1,556	21,393
Additions	94	159	49	241	66	609
Disposals/written off	(99)	(1,669)	(465)	(1,110)	(4)	(3,347)
At 31 December 2016	966	11,572	2,625	1,874	1,618	18,655
At 1 January 2017	966	11,572	2,625	1,874	1,618	18,655
Additions	1,039	4,381	826	683	425	7,354
Disposals	–	(4,444)	(719)	(627)	(387)	(6,177)
At 31 December 2017	2,005	11,509	2,732	1,930	1,656	19,832
Accumulated depreciation						
At 1 January 2016	(668)	(6,635)	(1,488)	(1,650)	(939)	(11,380)
Charge for the year	(146)	(2,343)	(535)	(967)	(374)	(4,365)
Depreciation written back upon disposals	71	1,045	276	953	3	2,348
At 31 December 2016	(743)	(7,933)	(1,747)	(1,664)	(1,310)	(13,397)
At 1 January 2017	(743)	(7,933)	(1,747)	(1,664)	(1,310)	(13,397)
Charge for the year	(209)	(1,674)	(410)	(313)	(298)	(2,904)
Depreciation written back upon disposals	–	3,584	505	627	358	5,074
At 31 December 2017	(952)	(6,023)	(1,652)	(1,350)	(1,250)	(11,227)
Net book value						
At 31 December 2017	1,053	5,486	1,080	580	406	8,605
At 31 December 2016	223	3,639	878	210	308	5,258

As at 31 December 2017, the Group's motor vehicles of HK$1,061,000 (2016: HK$nil) are held under finance lease (note 23).

14. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2017 and 2016 are as follows:

Company name	Place of incorporation and operation	Type of legal entity	Issued and paid up capital/ Registered capital	Equity interest attributable to the Group		Principal activities
				2017	2016	
Directly held						
Praise Marble	The BVI	Limited liability company	200 share of US$1	100%	100%	Investment holding
Indirectly held						
Geotech Engineering Limited	Hong Kong	Limited liability company	10,000,000 ordinary shares	100%	100%	Undertake slope works as main contractor
GeoResources Limited	Hong Kong	Limited liability company	10,000 ordinary shares	100%	100%	Undertake design, supply and construction of flexible barrier and the other slope works
Richway Construction Engineering Limited	Hong Kong	Limited liability company	1 ordinary share	100%	100%	Undertake slope work mainly in urban area
Yau Wing Construction & Engineering Limited	Hong Kong	Limited liability company	1 ordinary share	100%	100%	Undertake slope work mainly in rural area and open hillsides

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Unlisted securities Unit Trust Fund	1,281	1,130

The fair value of the Group's available-for-sale financial assets has been measured as described in note 32.6.

16. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	13,928	21,043
Retention receivables	16,663	18,433
Other receivables and prepayment	18,853	8,355
Prepayments for property, plant and equipment *(note)*	6,797	–
Utility and other deposits	1,596	1,809
	57,837	49,640

Note: The amount is refundable if the transfer of targeted property, plant and equipment are not completed within one year from the payment date.

The directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

Trade receivables

The Group usually provide customers with a credit term of 21 to 30 days (2016: 21 to 30 days). For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

Based on the invoice dates, the ageing analysis of the trade receivables, net of provision for impairment, was as follows:

	2017 HK$'000	2016 HK$'000
0-30 days	8,756	17,911
31-60 days	3,184	2,896
61-90 days	1,137	25
Over 90 days	851	211
	13,928	21,043

At the end of the reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no provision for impairment has been recognised at 31 December 2017 (31 December 2016: Nil).

16. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables (Continued)

Ageing of trade receivables which are past due but not impaired were as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	8,756	17,911
Less than 30 days past due	3,184	2,896
31-60 days past due	1,137	25
61-90 days past due	800	–
Over 90 days past due	51	211
	13,928	21,043

Trade receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Retention receivables

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum.

	2017 HK$'000	2016 HK$'000
Due within one year	8,731	8,304
Due after one year	7,932	10,129
	16,663	18,433

Retention receivables are interest-free and repayable approximately one year after the expiry of the maintenance period of construction projects.

No amounts in relation to other receivables were past due at 31 December 2017 (31 December 2016: Nil).

17. AMOUNTS DUE FROM/(TO) DIRECTORS

(a) Particulars of amounts due from directors are as follows:

	2017 HK$'000	2016 HK$'000
Mr. Yau	–	7,504
Mr. Cheung Ting Kam	–	7,768
	–	15,272
Maximum outstanding amount during the year:		
Mr. Yau	7,504	7,504
Mr. Cheung Ting Kam	7,768	20,725

(b) Particulars of amounts due to directors as follows:

	2017 HK$'000	2016 HK$'000
Mr. Kung	–	(2)
Ms. Tang	–	(3)
	–	(5)

The amounts due from/(to) directors are non-trade in nature. The amounts due are unsecured, non-interest bearing and repayable on demand.

The directors consider that the fair value of amounts due from/(to) directors is not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

18. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of amounts due from related companies as follows:

	2017 HK$'000	2016 HK$'000
TK & Y Development Limited	–	22
TK & Y Investment Company Limited	–	51
Grand Famous Investment Limited	–	134
Instrumentation & Testing Limited	–	60
	–	267
Maximum outstanding amount during the year:		
TK & Y Development Limited	–	22
TK & Y Investment Company Limited	–	51
Grand Famous Investment Limited	–	134
Instrumentation & Testing Limited	–	60

The amounts due from related companies were non-trade in nature. The amounts due were unsecured, non-interest bearing and were settled during the year. Details of related party relationship are disclosed in Note 29(a).

The directors consider that the fair values of amounts due from with related companies were not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

19. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus recognised profits less recognised losses	902,328	839,830
Less: progress billings	(853,633)	(799,909)
Contract work-in-progress	48,695	39,921
Analysed for reporting purposes as:		
Amounts due from customers on construction contracts	49,945	42,402
Amounts due to customers on construction contracts	(1,250)	(2,481)
	48,695	39,921

The gross amounts due from/(to) customers on construction contracts are expected to be recovered/settled within one year.

20. CASH AND BANK BALANCES

	2017	2016
	HK$'000	HK$'000
Cash at bank	**109,318**	53,291
Cash on hand	**68**	120
	109,386	53,411

Note:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates.

The directors consider that the fair values of cash at bank are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

21. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables *(note (a))*	**11,536**	17,331
Retention payables *(note (b))*	**10,143**	13,301
Accruals and other payables	**8,609**	7,159
	30,288	37,791

Ageing analysis of payables based on the invoices date is as follows:

	2017	2016
	HK$'000	HK$'000
0-30 days	**7,267**	11,442
31-60 days	**2,643**	4,827
61-90 days	**545**	355
Over 90 days	**1,081**	707
	11,536	17,331

21. TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) Payment terms granted by suppliers are 30 to 60 days from the invoice date of the relevant purchases.

(b) Retention payables are interest-free and settled in accordance with the terms of the respective contracts.

(c) All trade and other payables are denominated in HK$.

(d) All amounts are short-term and hence, the carrying values of the Group's trade payables, retention payables and accruals and other payables are considered to be a reasonable approximation of fair value.

22. BORROWINGS, SECURED

At 31 December 2017, the bank loans were repayable as follows:

	2017 HK$'000	2016 HK$'000
Bank loans repayable within one year *(note (a))*	10,000	16,667
	10,000	16,667

Notes:

(a) At 31 December 2017, the bank loans are interest-bearing at 3.16% (2016: 2.68%) per annum.

At 31 December 2017, the bank loan to the extent of HK$10,000,000 granted to the Group was secured by a corporate guarantee given by the Company and the Group's available-for-sale financial assets.

At 31 December 2016, the bank loan to the extent of HK$16,667,000 granted to the Group was secured by:

(1) Bank deposit made by Mr. Yau and the late Mr. Cheung Ting Kam;

(2) Charge on a property owned by a related company (in which Mr. Yau and the late Mr. Cheung Ting Kam has beneficial interests); and

(3) Unlimited guarantee given by Mr. Yau and the late Mr. Cheung Ting Kam.

(b) At 31 December 2017, the Group has unused banking facilities of approximately HK$22million. The unused banking facilities were secured by corporate guarantee given by the Company and the Group's available-for-sale financial assets.

At 31 December 2016, the Group has unused banking facilities of approximately HK$33.5million. The unused banking facilities were secured by properties owned by related companies (in which Mr. Yau and the late Mr. Cheung Ting Kam have beneficial interests), Mr. Yau and his spouse, bank deposits made by a related company (in which Mr. Yau and the late Mr. Cheung Ting Kam have beneficial interests), Mr. Yau and the late Mr. Cheung Ting Kam, the Group's available-for-sale financial assets, and unlimited guarantee supported by the life insurance plans of Mr. Yau and the late Mr. Cheung Ting Kam.

23. OBLIGATION UNDER FINANCE LEASES

The analysis of the Group's obligations under finance lease is as follows:

	2017 HK$'000	2016 HK$'000
Total minimum lease payments:		
Within one year	527	–
After one year but within two years	443	–
	970	–
Future finance charges	(47)	–
Present value of lease obligation	923	–

	2017 HK$'000	2016 HK$'000
Present value of minimum lease payment:		
Within one year	490	–
After one year but within two years	433	–
	923	–
Less: Portion due within one year included under current liabilities	(490)	–
Portion due after one year included under non-current liabilities	433	–

The Group has entered into finance leases for motor vehicles. These lease periods are for 2 to 3 years. At the end of the lease term, the Group has the option to purchase the leased motor vehicles at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases including contingent rentals. The effective interest rate on these finance leases was 4.27% to 4.29% for the year ended 31 December 2017 (2016: 3.24% to 4.76%).

Obligation under finance leases are effectively secured by the underlying assets at the rights to the leased assets would be converted to the lessor in the event of default by repayment by the Group.

24. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% (2016: 16.5%) in Hong Kong.

The movements in deferred tax liabilities and (assets) and recognised in the statement of the financial position during the year are as follows:

	Accelerated tax depreciation	**Others**	**Total**
	HK$'000	HK$'000	HK$'000
1 January 2016	796	(383)	413
Charged to profit or loss *(note 9)*	(277)	383	106
As at 31 December 2016 and 1 January 2017	519	–	519
Charged to profit or loss *(note 9)*	520	–	520
As at 31 December 2017	1,039	–	1,039

The amounts recognised in the consolidated statement of financial position are as follows:

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(1,039)**	(519)
	(1,039)	(519)

At 31 December 2017, the Group has unrecognised deferred tax assets in respect of cumulative tax losses of HK$2,656,000 (2016: HK$3,084,000) as it is not probable that future taxable income against which the losses can be utilised will be available in the entity. These tax losses do not expire under current legislation.

25. SHARE CAPITAL

The share capital balance in the consolidated statement of financial position as at 31 December 2016 represented the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

Movements of the authorised and issued share capital of the Company for the period from 6 June 2016 (date of incorporation of the Company) to 31 December 2017 are as follows:

	2017		2016	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each upon incorporation *(note i)*/as at 1 January 2017	**10,000,000**	**100**	10,000,000	100
Increase in authorised share capital *(note ii)*	**3,990,000,000**	**39,900**	–	–
As at 31 December	**4,000,000,000**	**40,000**	10,000,000	100
Issued and fully paid:				
Ordinary share of HK$0.01 upon incorporation *(note i)*/as at 1 January 2017	**100**	**–**	100	–
Issuance of ordinary shares pursuant to the Capitalisation Issue *(note iii)*	**1,149,999,900**	**11,500**	–	–
Issuance of ordinary shares pursuant to the share offer *(note iv)*	**250,000,000**	**2,500**	–	–
As at 31 December	**1,400,000,000**	**14,000**	100	–

Note:

(i) The Company was incorporated in the Cayman Islands as an exempted company under the Company Law of the Cayman Islands with limited liability on 6 June 2016 with an initial authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each and one share was issued thereafter. On 6 June 2016, 99 nil-paid shares were allotted and issued. Pursuant to the Reorganisation, the Company credited the 100 nil-paid shares as fully paid at par as the consideration for acquisition of Praise Marble on 15 September 2017.

(ii) Pursuant to the written resolution of all shareholder passed on 21 September 2017, the authorised share capital of the Company was increased from HK$100,000 to HK$40,000,000 divided into 4,000,000,000 shares of HK$0.01 each.

(iii) Pursuant to the written resolutions of the shareholder passed on 21 September 2017, 1,149,999,900 ordinary shares of HK$0.01 each were allotted and issued at par by way of capitalisation of the sum of HK$11,499,999 from the share premium account of the Company (the "Capitalisation Issue").

(iv) On 12 October 2017, upon listing on the Stock Exchange, 250,000,000 new shares with par value of HK$0.01 each of the Company were allotted and issued at a price of HK$0.42 per share by way of Share Offer. The proceeds of HK$2,500,000 representing the par value of these ordinary shares, were credited to the Company's share capital. The remaining proceeds less the listing costs directly attributable to the issue of shares amounted to HK$92,862,000, were credited to the Company's share premium account. The shares capital of the Company was then increased to HK$14,000,000 divided into 1,400,000,000 shares of HK$0.01 each.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2017 and 2016 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group as at 31 December 2017 represents the share capital of entities comprising the Group prior to the reorganisation and the reserves arising from the reorganisation for the purpose of listing of the Company's shares on the Stock Exchange.

Available-for-sale financial asset revaluation reserve

The available-for-sale financial asset revaluation reserve represents the change in fair value arising from the investment in unlisted securities Unit Trust Fund (note 15).

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investments in subsidiaries	14	86,067	–
Loan to a subsidiary		99,900	–
		185,967	–
Current assets			
Other receivables		607	–
Cash and cash equivalents		92	–
		699	–
Current liability			
Amount due to a subsidiary		9,747	10
		9,747	10
Net current liabilities		(9,048)	(10)
Net assets/(liabilities)		176,919	(10)
Capital and reserves			
Share capital	25	14,000	–
Reserves/(Accumulated loss) *(Note)*		162,919	(10)
Total equity/(Capital deficiency)		176,919	(10)

Mr. Yau Kin Wing Sino
Director

Mr. Kung Ho Man
Director

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: The movement of the Company's reserves are as follows:

	Share premium HK$'000	Capital Reserve* HK$'000	Accumulated Loss HK$'000	Total HK$000
Balance at 6 June 2016 (date of incorporation)	–	–	–	–
Loss and total comprehensive loss for the period	–	–	(10)	(10)
Balance at 31 December 2016	–	–	(10)	(10)
Effect of Reorganisation	–	86,067	–	86,067
Issuance of ordinary shares pursuant to the Capitalisation Issue *(Note 25(iii))*	(11,500)	–	–	(11,500)
Issuance of ordinary shares pursuant to Share Offer *(Note 25(iv))*	92,862	–	–	92,862
Loss and total comprehensive loss for the year	–	–	(4,500)	(4,500)
Balance at 31 December 2017	**81,362**	**86,067**	**(4,510)**	**162,919**

* Capital reserve of the Company represents the difference between the total equity of Praise Marble acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

28. OPERATING LEASE COMMITMENTS

As lessee

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	918	1,161
In the second to fifth years inclusive	773	–
	1,691	1,161

The Group is the lessee in respect of premises under operating leases. The leases typically run for an initial period of one to two years (2016: one year). The leases do not include contingent rentals.

29. RELATED PARTY TRANSACTIONS

(a) During the years ended 31 December 2017 and 2016, the following parties are identified as related parties of the Group:

Name	**Relationship with the Group**
TK & Y Development Limited (formerly known as Geotech Engineering Development Ltd)	A related company with interests controlled by Mr. Yau and the late Mr. Cheung Ting Kam, the Controlling Shareholders and executive directors of the Company.
TK & Y Investment Company Ltd (formerly known as Geotech Investment Company Ltd)	A related company with interests controlled by Mr. Yau and the late Mr. Cheung Ting Kam, the Controlling Shareholders and executive directors of the Company.
Grand Famous Investment Limited	A related company with interests controlled by the late Mr. Cheung Ting Kam, one of the Controlling Shareholders and an executive director of the Group
Instrumentation & Testing Limited	A related company with interests controlled by Mr. Yau and the late Mr. Cheung Ting Kam, the Controlling Shareholders and executive directors of the Company.

(b) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, fee and allowances	**4,967**	4,649
Discretionary bonuses	**703**	468
Retirement benefit scheme contributions	**104**	101
	5,774	5,218

29. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

Details of the balances with directors and related companies are disclosed in note 17 and 18 to the consolidated financial statements.

(d) Guarantee by related parties

At 31 December 2017, no guarantee provided by directors and related parties.

Details of the securities and guarantees from directors and related parties at 31 December 2016 are disclosed in Note 22 to the consolidated financial statements.

30. CONTINGENT LIABILITIES

At 31 December 2017 and 2016, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. The directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the consolidated financial statements.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Bank loans HK$'000	Finance lease liabilities HK$'000	Total HK$'000
At 1 January 2017	16,667	–	16,667
Cash-flows:			
– Repayment	(6,667)	(210)	(6,877)
Non-cash:			
– Acquisition	–	1,133	1,133
At 31 December 2017	**10,000**	**923**	**10,923**

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

32.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables:		
– Trade and other receivables	49,443	48,135
– Amounts due from directors	–	15,272
– Amounts due from related companies	–	267
– Cash and bank balances	109,386	53,411
	158,829	117,085
Available-for-sale financial assets	1,281	1,130
	160,110	118,215
Financial liabilities		
At amortised costs:		
– Trade and other payables	(30,288)	(37,791)
– Obligation under finance leases	(923)	–
– Borrowing, secured	(10,000)	(16,667)
– Amounts due to directors	–	(5)
	(41,211)	(54,463)

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its cash at bank denominated in United Stated Dollars ("US$") of HK$40,161,000 (2016: nil), which is not the functional currency of the Group. Since HK$ are pegged to US$ under the Linked Exchange Rate System, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK$ and US$.

32.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings and obligation under finance leases. Borrowings bearing variable rates and fixed rate expose the Group to cash flow interest rate risk and fair value interest rate risk respectively and the exposure to the Group is considered immaterial. Obligation under finance leases bearing fixed rate expose the Group to fair value interest rate risk and the exposure to the Group is considered immaterial.

The exposure to interest rate risk for the Group bank balances is considered immaterial.

32.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at 31 December 2017 and 2016 as summarised in note 32.1.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow–up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At 31 December 2017, the Group has concentration of credit risk as 34% and 34% (2016: 40% and 79%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively. The aggregate amounts of trade receivables from these customers amounted to HK$4,681,000 and HK$4,681,000 (2016: HK$8,519,000 and HK$16,598,000) of the Group's total trade receivables at 31 December 2017.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities at 31 December 2017 and 2016. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within one year HK$'000	**Over 1 year but within 5 years HK$'000**	**Total undiscounted Cash flow HK$'000**	**Carrying amount HK$'000**
At 31 December 2017				
Trade and other payables	**(30,288)**	**–**	**(30,288)**	**(30,288)**
Obligation under finance leases	**(527)**	**(443)**	**(970)**	**(923)**
Bank loan	**(10,256)**	**–**	**(10,256)**	**(10,000)**
	(41,071)	**(443)**	**(41,514)**	**(41,211)**

	On demand or within one year HK$'000	Over 1 year but within 5 years HK$'000	Total undiscounted Cash flow HK$'000	Carrying amount HK$'000
At 31 December 2016				
Trade and other payables	(37,791)	–	(37,791)	(37,791)
Bank loan	(17,257)	–	(17,257)	(16,667)
Amounts due to directors	(5)	–	(5)	(5)
	(55,053)	–	(55,053)	(54,463)

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.5 Liquidity risk (Continued)

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

32.6 Fair value measurement

(a) *Financial assets measured at fair value*

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

2017	**Fair value at 31 December HK$'000**	**Fair value measurement using Level 2 HK$'000**
Recurring fair value measurement		
Financial assets		
Available-for-sale financial assets:		
Unlisted unit trust fund	**1,281**	**1,281**

2016	Fair value at 31 December HK$'000	Fair value at measurement using Level 2 HK$'000
Recurring fair value measurement		
Financial assets		
Available-for-sale financial assets:		
Unlisted unit trust fund	1,130	1,130

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

32.6 Fair value measurement (Continued)

(a) Financial assets measured at fair value (Continued)

There were no transfers between categories during the reporting period.

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 are unchanged compared to the previous reporting periods and are described below: The available-for-sale financial assets are unlisted unit trust funds dominated in US$. Fair values have been determined by reference to their quoted prices as stated in the bank statements at each of the reporting date and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate. The effects of non-observable inputs are not significant for the unlisted unit trust funds.

Fair value change on available-for-sale unit trust fund is recognised in other comprehensive income and included under "Available-for-sale financial assets revaluation reserve".

(b) Fair value of financial assets and liabilities carried at other than fair value

The carry amounts of the Group's financial assets and liabilities are not materially different from their fair values at 31 December 2017 and 2016 due to their short maturities.

33. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2017, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of HK$1,133,000 (2016: HK$nil) which were directly settled by licensed money lenders and banks to the sellers of motor vehicles.

34. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. For this purpose gearing ratio is calculated based on total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings include bank borrowings, amounts due to directors and obligation under finance leases. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

34. CAPITAL MANAGEMENT (Continued)

The gearing ratio at each reporting date was:

	2017 HK$'000	2016 HK$'000
Total borrowing		
Borrowings	**10,000**	16,667
Amounts due to directors	**–**	5
Obligation under finance leases	**923**	–
	10,923	16,672
Total equity	**186,458**	111,455
Gearing ratio	**5.9%**	15.0%

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	275,813	344,766	391,427	305,262
Cost of sales	(232,668)	(295,210)	(331,008)	(263,129)
Gross profit	43,145	49,556	60,419	42,133
Other income	2,138	3,103	1,260	1,042
Administrative and other operating expenses	(30,592)	(25,796)	(18,503)	(11,705)
Operating profit	14,691	26,863	43,176	31,470
Finance costs	(354)	(1,158)	(257)	(447)
Profit before income tax	14,337	26,505	42,919	31,023
Income tax expense	(4,820)	(6,101)	(7,516)	(5,078)
Profit for the year	9,517	20,404	35,403	25,945
Other comprehensive income, net of tax				
Item that may be classified subsequently to profit or loss				
Fair value gain/(loss) on available-for-sale financial assets	151	(9)	(43)	7
Total comprehensive income for year	9,668	20,395	35,360	25,952

ASSET AND LIABILTIES

	As at 31 December			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	9,886	6,388	11,535	15,790
Current assets	220,099	162,530	168,180	117,976
Non-current liabilities	1,472	519	796	1,078
Current liabilities	42,028	56,944	87,705	72,657
Equity attributable to equity holders of the Company	186,485	111,455	91,059	58,899