THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Geotech Holdings Ltd., you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the provisions of which form part of the terms and conditions of the Offer contained herein.

Star Merit Global Limited
星優環球有限公司

(Incorporated in British Virgin Islands with limited liability)

Geotech Holdings Ltd.
致浩達控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1707)

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY RAFFAELLO SECURITIES (HK) LIMITED FOR AND ON BEHALF OF STAR MERIT GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF GEOTECH HOLDINGS LTD. (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to the Offeror

RaffAello
CAPITAL LIMITED

RaffAello Capital Limited

Financial adviser to the Company

Grande Capital Limited
均富融資有限公司

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Shinco Capital
昇 豪 資 本

Shinco Capital Limited

Capitalized terms used on this cover page shall have the same meanings as those defined in this Composite Document.

A letter from RaffAello Securities containing, among other things, principal terms of the Offer is set out on pages 7 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 19 of this Composite Document.

A letter from the Independent Board Committee to the Offer Shareholders containing its recommendation in respect of the Offer is set out on pages 20 and 21 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 22 to 42 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Form(s) of Acceptance should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Thursday, 10 January 2019 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

20 December 2018

CONTENT

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The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement date of the Offer *(Note 1)*	Thursday, 20 December 2018
Latest time and date for acceptance of the Offer *(Note 2)*	4:00 p.m. on Thursday, 10 January 2019
Closing Date *(Note 2)*	Thursday, 10 January 2019
Announcement of the results of the Offer, to be posted on the website of the Stock Exchange *(Note 2)*	No later than 7:00 p.m. on Thursday, 10 January 2019
Latest date for posting of remittances in respect of valid acceptances received under the Offer *(Note 3)*	Monday, 21 January 2019

Notes:

1. The Offer, which is unconditional in all respect, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.

2. In accordance with the Takeovers Code, the Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance will be at 4:00 p.m. on Thursday, 10 January 2019 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Thursday, 10 January 2019 stating whether the Offer has been extended, revised or has expired. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Offer Shareholders who have not accepted the Offer.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Offer Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day;

   (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected, the Offeror and the Company will notify the Offer Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All references to dates and times contained in this Composite Document refer to Hong Kong dates and times.

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the purchase of the Sale Shares by the Offeror from the Vendors in accordance with the terms and conditions of the Share Purchase Agreement
"acting in concert" or "concert parties"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"Board"	board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Closing Date"	10 January 2019, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company, with the consent of the Executive, in accordance with the Takeovers Code
"Company"	Geotech Holdings Ltd., an exempted company incorporated in the Cayman Islands with limited liability whose ordinary shares are listed on the main board of the Stock Exchange (stock code: 1707)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement
"Completion Date"	4 December 2018
"Composite Document"	this composite offer and response document to be jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer (accompanied by the Form(s) of Acceptance) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Encumbrances"	any charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, retention of title, right of pre-emption, right of first refusal or other third-party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Form(s) of Acceptance"	the form(s) of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
"Group"	the Company together with its subsidiaries
"Guarantor"	Mr. Yau Kin Wing Sino, the executive Director, the chairman of the Board, and one of the shareholders of Vendor 1
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board, comprising Mr. Fung Chi Kin, Mr. Cheung Wai Lun Jacky, Mr. Chow Chun To and Mr. Wei Qianjiang, being all the independent non-executive Directors, to be formed for the purpose of advising the Offer Shareholders in respect of the Offer
"Independent Financial Adviser" or "Shinco Capital"	Shinco Capital Limited, a corporation licensed by the SFC to conduct on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the terms of the Offer and as to their acceptance

"Joint Announcement"	the announcement jointly published by the Offeror and the Company dated 29 November 2018 in relation to, among others, the Share Purchase Agreement and the Offer
"Last Trading Day"	22 November 2018, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of the Joint Announcement
"Latest Practicable Date"	18 December 2018 being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	the memorandum of understanding dated 6 November 2018 and entered into among the Vendors and the Offeror in relation to the potential acquisition of 737,000,000 Shares
"MOU Announcement"	announcement made by the Company dated 7 November 2018 in relation to, amongst others, the MOU
"Offer"	the mandatory unconditional cash offer to be made by RaffAello Securities, on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it subject to the conditions summarised in the Joint Announcement and in accordance with the Takeovers Code
"Offer Period"	the period from 7 November 2018, being the date of the MOU Announcement to 4:00 p.m. on the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
"Offer Share(s)"	any of the 663,000,000 Shares that are subject to the Offer
"Offer Shareholder(s)" or "Independent Shareholders"	holder(s) of Share(s), other than the Offeror and parties acting in concert with it

"Offeror"	Star Merit Global Limited 星優環球有限公司, a company incorporated in BVI with limited liability, being the purchaser under the Share Purchase Agreement. Mr. Chen Zhi is the sole ultimate beneficial owner of the Offeror
"Overseas Shareholder(s)"	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
"PRC"	the People's Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RaffAello Capital"	RaffAello Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror
"RaffAello Securities"	RaffAello Securities (HK) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
"Registrar"	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
"Relevant Period"	the period commencing on 8 May 2018, being the date falling six months before 7 November 2018, being the date of the MOU Announcement, up to and including the Latest Practicable Date
"Sale Shares 1"	714,000,000 Shares agreed to be sold by Vendor 1 and agreed to be acquired by the Offeror pursuant to the terms and conditions of the Share Purchase Agreement, representing approximately 51% of the entire issued share capital of the Company as at the date of the Joint Announcement
"Sale Shares 2"	23,000,000 Shares agreed to be sold by Vendor 2 and agreed to be acquired by the Offeror pursuant to the terms and conditions of the Share Purchase Agreement, representing approximately 1.64% of the entire issued share capital of the Company as at the date of the Joint Announcement

"Sale Shares"	collectively, means Sale Shares 1 and Sale Shares 2
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the issued share capital of the Company
"Share Purchase Agreement"	the conditional agreement for the sale and purchase of Shares dated 22 November 2018 and entered into among the Vendors, the Guarantor and the Offeror in relation to the sale and purchase of the Sale Shares
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers
"Vendor 1"	Flourish Team Limited, a company incorporated in BVI with liability limited by shares, is owned as to approximately 49% by the Guarantor, an executive Director and the chairman of the Board, approximately 49% by the late Mr. Cheung Ting Kam, and approximately 2% by Mr. Kung Ho Man, an executive Director and chief executive officer of the Company, and immediately prior to the Completion, held 714,000,000 Shares, representing approximately 51% of the total issued share capital of the Company as at the date of the Joint Announcement Mr. Cheung Ting Kam passed away on 21 January 2018. A grant of administration in relation to the estate of Mr. Cheung Ting Kam in BVI (including his interests in Vendor 1) was granted by the High Court of Justice of BVI on 19 November 2018 and Ms. Tang Yim Ling, the spouse of Mr. Cheung Ting Kam, was appointed as administrator
"Vendor 2"	Double Wink Limited, a company incorporated in BVI with liability limited by shares, is wholly owned by Ms. Tang Ka Wa Danise, an executive Director, and immediately prior to the Completion, held 23,000,000 Shares, representing approximately 1.64% of the total issued share capital of the Company as at the date of the Joint Announcement

"Vendors"	collectively, Vendor 1 and Vendor 2 and "Vendor" shall mean any one of them
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

RaffAello
Securities (HK) Ltd

To the Offer Shareholders

20 December 2018

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY RAFFAELLO SECURITIES (HK) LIMITED FOR AND ON BEHALF OF STAR MERIT GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF GEOTECH HOLDINGS LTD. (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 29 November 2018, the Offeror and the Company jointly announced that on 22 November 2018 (after trading hours), the Vendors, the Guarantor and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase 737,000,000 Shares, representing approximately 52.64% of the total issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK$278,586,000 (being HK$0.378 per Share).

Immediately after Completion which took place on 4 December 2018 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own in aggregate 737,000,000 Shares, representing approximately 52.64% of the total issued share capital of the Company. The Offeror will therefore upon Completion be required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

This letter sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Offer Shareholders and the "Letter from the Independent Financial Adviser" to the Independent Board Committee as contained in this Composite Document.

THE OFFER

Principal terms of the Offer

We are making the Offer for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

For each Offer Share .... HK$0.378 in cash

The price of HK$0.378 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendors pursuant to the Share Purchase Agreement.

As at the Latest Practicable Date, there are 1,400,000,000 Shares in issue and the Company does not have any outstanding options, warrants or derivatives or securities convertible into Shares.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Offer Price

The offer price of HK$0.378 per Offer Share represents:

- a discount of approximately 13.10% on the closing price of HK$0.435 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 18.71% on the average closing price of approximately HK$0.465 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 31.09% on the average closing price of approximately HK$0.549 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 27.45% on the average closing price of approximately HK$0.521 per Share as quoted on the Stock Exchange for the 30 consecutive trading days prior to and including the Last Trading Day;
- a premium of approximately 177.94% over the Group's unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2018 of HK$189,801,000 (based on a total of 1,400,000,000 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK$0.136 as at 30 June 2018); and
- a discount of approximately 31.27% to the closing price of HK$0.55 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

The highest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK$0.7 per Share on 5 November 2018.

The lowest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK$0.325 per Share on 4 July 2018 and 12 July 2018.

Total Consideration for the Offer Shares

Assuming that there is no change in the issued share capital of the Company and based on the offer price of HK$0.378 per Share, the total issued share capital of the Company is valued at HK$529,200,000. The Offer will be made to the Offer Shareholders. As the Offeror and parties acting in concert with it hold in aggregate 737,000,000 Shares immediately after Completion, 663,000,000 Shares will be subject to the Offer. Based on the offer price of HK$0.378 per Share, the consideration of the Offer would be HK$250,614,000. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made.

Financial resources available for the Offer

The maximum amount of cash payable by the Offeror in respect of acceptances of the Offer is approximately HK$250,614,000, assuming there is no change in the issued share capital of the Company from the date of the Joint Announcement up to the close of the Offer. The Offeror intends to finance the cash payable by the Offeror in respect of the Offer by its internal resources.

RaffAello Capital, as the financial adviser to the Offeror in respect of the Acquisition and the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptance of the Offer.

Effect of accepting the Offer

By accepting the Offer, the Offer Shareholders shall sell their Shares free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made.

Acceptance of the Offer by any Offer Shareholders will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made.

The Offer is unconditional in all respects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Offer Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in paragraph 4 headed "Right of Withdrawal" in Appendix I to this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible within seven Business Days after the date of receipt of a duly completed acceptance. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

Hong Kong Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of accepting Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

Overseas Shareholders

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

If the receipt of the Composite Document by the Overseas Shareholders is prohibited by any applicable laws and regulations and may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such Overseas Shareholders. In those circumstances, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. There are no Overseas Shareholders as at the Latest Practicable Date.

Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

Taxation advice

The Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, the Guarantor and their respective ultimate beneficial owners, directors, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on main board of the Stock Exchange since 12 October 2017. The Group is a slope works contractor in Hong Kong with over 20 years of experience in civil engineering industry, which principally undertakes slope works as main contractor and also undertake ground investigation field works as subcontractor.

INFORMATION ON THE OFFEROR

Star Merit Global Limited is a company incorporated in BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, save for entering into of the MOU and the Share Purchase Agreement, the Offeror did not engage in any other business activities.

As at the Latest Practicable Date, Mr. Chen Zhi ("Mr. Chen"), aged 31, is the sole ultimate beneficial owner and the sole director of the Offeror. Mr. Chen is Cambodian, holds a Degree of Bachelor of Business Administration from National University of Management, Kingdom of Cambodia. Currently, he is a director and controlling shareholder of Prince Real Estate (Cambodia) Group Co., Ltd., the holding company for a group of companies principally engaged in property development of commercial and residential properties in Cambodia (the "Prince Group"), which has a land reserve of over 4 million square meters in Cambodia. Mr. Chen is the Chairman of the Prince Group, who is responsible for formulating corporate strategies, business development plans and major corporate decisions of the Prince Group. Mr. Chen has over seven years of experience in the areas of property agency and development. In addition, Mr. Chen also has extensive experience in internet industry in Cambodia and Singapore, and is a director of several internet industry related companies in Cambodia and Singapore which are principally engaged in providing internet services and information technology solutions. Moreover, Mr. Chen has invested in the Hong Kong securities market since 2015.

Mr. Chen confirmed that he has not been a controlling shareholder of any listed companies in Hong Kong since 2015 and immediately prior to the Completion.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

The Offeror is interested in approximately 52.64% of the total number of issued shares of the Company as at the Latest Practicable Date and has become the controlling shareholder of the Company.

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at such time permitted under the Listing Rules and/or the Takeovers Code). The Offeror also intends to continue the existing principal business of the Group. However, the Offeror intends to review the operation and business activities of the Group after the close of the Offer to formulate a long-term business strategy for the Group. Subject to the results of such review, the Offeror may explore other business and/or seek to expand the geographical coverage of the principal business of the Group in addition to the market of Hong Kong for enhancing the future development and strengthening the revenue bases of the Group.

Save for the Offeror's intention regarding the Group as set out above, (i) the Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business; and (ii) as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group.

The Offeror intends to nominate new directors to the Board with effect from the earliest time permitted under the Listing Rules and/or the Takeovers Code. Any changes to the members of Board will be made in compliance with the Takeovers Codes and the Listing Rules and further announcement will be made as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

– a false market exists or may exist in the trading of the Shares; or

– that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board as nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the Offer.

PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, the Offer Shareholders should complete the accompanying Form(s) of Acceptance for the Shares in accordance with the instructions printed thereon. The Form(s) of Acceptance form part of the terms of the Offer. The completed Form(s) of Acceptance should then be forwarded, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the Shares in respect of which you intend to tender under the Offer, by post or by hand, to the Registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong in an envelope marked "Geotech Holdings Ltd. Offer" as soon as possible after the receipt of this Composite Document but in any event not later than 4:00 p.m. on the Closing Date. No acknowledgement of receipt of any Form(s) of Acceptance and the title documents will be given.

Your attention is drawn to the paragraph 1 headed "General procedures for acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Settlement of the Offer

Provided that the accompanying Form(s) of Acceptance for the Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Offer Shareholder in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Offer Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days after the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) by the Registrar in accordance with the Takeovers Code. The consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty) set out in this Composite Document (including Appendix I to this Composite Document) and the accompanying Form(s) of Acceptance without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Offer Shareholder.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise of any powers of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

GENERAL

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Offer Shareholder whose name appears first in the said register of members. None of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, RaffAello Securities, the Independent Financial Adviser, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the Independent Financial Adviser to the Independent Board Committee in respect of the Offer as set out in the “Letter from the Independent Financial Adviser” contained in this Composite Document.

Yours faithfully,
For and on behalf of
RaffAello Securities (HK) Limited
Grace Wong
Executive Director

Geotech Holdings Ltd.
致浩達控股有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock code: 1707)

Executive Directors:
Mr. Yau Kin Wing Sino
Mr. Kung Ho Man
Ms. Tang Ka Wa Danise

Independent Non-executive Directors:
Mr. Fung Chi Kin
Mr. Cheung Wai Lun Jacky
Mr. Chow Chun To
Mr. Wei Qianjiang

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

Head Office 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

20 December 2018

To the Offer Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY RAFFAELLO SECURITIES (HK) LIMITED FOR AND ON BEHALF OF STAR MERIT GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF GEOTECH HOLDINGS LTD. (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

References are made to the MOU Announcement and the Joint Announcement.

On 7 November 2018, the Company announced that the Vendors and the Offeror entered into the MOU in respect of the Acquisition. On 29 November 2018, the Offeror and the Company jointly announced that on 22 November 2018 (after trading hours), the Vendors, the Guarantor and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase 737,000,000 Shares, representing approximately 52.64% of the total issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK$278,586,000 (being HK$0.378 per Share). Save for the consideration paid by the Offeror to the Vendors under the Share Purchase Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or parties acting in concert with it to the Vendors or parties acting in concert with them in respect of the Sale Shares.

Immediately after Completion which took place on 4 December 2018 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it will own in aggregate 737,000,000 Shares, representing approximately 52.64% of the total issued share capital of the Company. The Offeror will therefore upon Completion be required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

Further details of the Offer are set out in the "Letter from RaffAello Securities" and Appendix I to this Composite Document of which this letter forms part, and in the accompanying Form(s) of Acceptance.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the recommendation of the Independent Board Committee to the Offer Shareholders and the "Letter from the Independent Financial Adviser" to the Independent Board Committee in relation to the Offer.

THE OFFER

As at the Latest Practicable Date, there were 1,400,000,000 Shares in issue.

There were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Principal terms of the Offer

As disclosed in the "Letter from RaffAello Securities" on pages 7 to 14 of this Composite Document, RaffAello Securities is making the Offer for and on behalf of the Offeror to all the Offer Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

For each Offer Share .... **HK$0.378 in cash**

The price of HK$0.378 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendors pursuant to the Share Purchase Agreement.

The Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e. the date of this Composite Document. The Offer is unconditional in all respects. Acceptance of the Offer tendered by the Offer Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

Your attention is drawn to the further details regarding the procedures for acceptance of the offer, settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on main board of the Stock Exchange since 12 October 2017. The Group is a slope works contractor in Hong Kong with over 20 years of experience in civil engineering industry, which principally undertakes slope works as main contractor and also undertake ground investigation field works as subcontractor.

The following table sets out the shareholding structure of the Company (a) as at the date of the Joint Announcement; and (b) immediately after the Completion and as at the Latest Practicable Date:

	As at the date of the Joint Announcement		**Immediately after the Completion and before the Offer and as at the Latest Practicable Date**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Offeror and its concert parties	–	–	737,000,000	52.64
Vendors and their respective concert parties	737,000,000	52.64	–	–
Offer Shareholders	663,000,000	47.36	663,000,000	47.36
	1,400,000,000	100.00	1,400,000,000	100.00

FINANCIAL INFORMATION ON THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for the financial years ended 31 December 2016 and 31 December 2017 and the unaudited consolidated financial results of the Group for the six months ended 30 June 2017 and 30 June 2018, prepared in accordance with the relevant accounting principles and financial regulations applicable to the Hong Kong Financial Report Standards:

	For the financial year ended		For the six months ended	
	31 December 2016	31 December 2017	30 June 2017	30 June 2018
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Revenue	344,766	275,813	169,444	113,073
Profits before tax	26,505	14,337	15,920	4,215
Profit for the year/period attributable to owners of the Company	20,404	9,517	12,414	3,354
Net assets	111,455	186,485	93,956	189,801

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraphs headed "Information on the Offeror" and "Intentions of the Offeror Regarding the Group" in the "Letter from RaffAello Securities" as set out on pages 11 to 12 of this Composite Document. The Board is aware of the intentions of the Offeror regarding the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Offer Shareholders as a whole. The Board is aware that the Offeror intends to continue the existing principal business of the Group but will conduct a review to formulate a long-term business strategy for the Group. The Board is aware that the Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at such time permitted under the Listing Rules or the Takeovers Code) and has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

– a false market exists or may exist in the trading of the Shares; or

– that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Offeror intends to maintain the listing of the Share on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board as nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the Offer.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors of the Company, namely, Mr. Fung Chi Kin, Mr. Cheung Wai Lun Jacky, Mr. Chow Chun To and Mr. Wei Qianjiang has been established to advise the Offer Shareholders as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer. Your attention is drawn to the (i) "Letter from the Independent Board Committee" as set out on pages 20 to 21 of this Composite Document; and (ii) the "Letter from the Independent Financial Adviser" as set out on pages 22 to 42 of this Composite Document containing their respective advice and recommendation in respect of the Offer and principal factors considered by it in arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form(s) of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what actions to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your own professional advisers.

Yours faithfully,
On behalf of the Board of
Geotech Holdings Ltd.
Yau Kin Wing Sino
Chairman

The following is the text of a letter of recommendation from the Independent Board Committee to the Offer Shareholders in respect of the Offer prepared for the purpose of inclusion in this Composite Document.

Geotech Holdings Ltd.
致浩達控股有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock code: 1707)

20 December 2018

To the Offer Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY RAFFAELLO SECURITIES (HK) LIMITED FOR AND ON BEHALF OF STAR MERIT GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF GEOTECH HOLDINGS LTD. (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)

We refer to this Composite Document dated 20 December 2018 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. Offer Shareholders) as to whether or not the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and to make recommendation in respect of acceptance of the Offer or not. Shinco Capital has been appointed as the Independent Financial Adviser to make recommendation to us in respect of the terms of Offer and, in particular, whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and to make recommendation in respect of the acceptance of the Offer or not. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the "Letter from the Independent Financial Adviser" on pages 22 to 42 of this Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from RaffAello Securities" and the additional information set out in the appendices to this Composite Document.

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice and recommendations from the Independent Financial Adviser, we consider that the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Offer Shareholders to accept the Offer. Offer Shareholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" set out in this Composite Document.

However, for those Offer Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the Offer Period. Should the market price of the Shares exceed the offer price during the Offer Period, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Offer Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

In any case, the Offer Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Offer Shareholders should consult their own professional advisers for advice. Furthermore, the Offer Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document and the accompanying Form(s) of Acceptance.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Geotech Holdings Ltd.
Mr. Fung Chi Kin   Mr. Cheung Wai Lun Jacky   Mr. Chow Chun To   Mr. Wei Qianjiang
Independent non-executive Directors

Set out below is the text of a letter received from Shinco Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.

Shinco Capital
昇 豪 資 本

Room 1106, 11/F
Office Plus@Sheung Wan
No. 93 – 103 Wing Lok Street
Sheung Wan
Hong Kong

20 December 2018

*To the Independent Board Committee and Independent Shareholders of Geotech Holdings Ltd. (the "**Company**")*

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY RAFFAELLO SECURITIES (HK) LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF GEOTECH HOLDINGS LTD. (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 20 December 2018 jointly issued by the Company and the Offeror to the Independent Shareholders, of which this letter (the "**Letter**") forms part. Terms used in this Letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

On 7 November 2018, the Company announced that the Vendors and the Offeror entered into the MOU in respect of the Acquisition. On 29 November 2018, the Offeror and the Company jointly announced that on 22 November 2018 (after trading hours), the Vendors, the Guarantor and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase 737,000,000 Shares, representing approximately 52.64% of the total issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK$278,586,000 (being HK$0.378 per Share). Save for the consideration paid by the Offeror to the Vendors under the Share Purchase Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or parties acting in concert with it to the Vendors or parties acting in concert with them in respect of the Sale Shares.

Immediately after Completion which took place on 4 December 2018 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it beneficially own 737,000,000 Shares, representing approximately 52.64% of the total issued share capital of the Company. The Offeror is therefore, upon Completion, be required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

RaffAello Securities (HK) Limited, on behalf of the Offeror, is making the Offer to all the Independent Shareholders for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it). As at the Latest Practicable Date, there are 1,400,000,000 Shares in issue and there are no outstanding warrants, options, derivatives or securities which are convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fung Chi Kin, Mr. Cheung Wai Lun Jacky, Mr. Chow Chun To and Mr. Wei Qianjiang, has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance of the Offer.

We, Shinco Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not associated or connected with the Company or the Offeror, or any party acting, or presumed to be acting in concert with any of them. Save for this appointment as the Independent Financial Adviser in respect of the Offer, during the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, there were no other engagements between Shinco Capital Limited and the Group or the Offeror. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors and the senior management of the Company (the "**Management**").

We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors or the Offeror (as the case may be) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror, their respective advisers, the Directors and/or the director of the Offeror, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/ arrangements or implied understanding with anyone between the Group and/or the Offeror concerning the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than that expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document, including this Letter, incorrect or misleading.

The sole director and sole ultimate beneficial owner of the Offeror, being Mr. Chen Zhi, accepts full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Group and the Vendors), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this Letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

We have not considered the tax and regulatory implications on the Group or the Independent Shareholders as a result of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee in respect of the Offer, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Company

1.1 Basic information of the Group

The Company was incorporated in the Cayman Islands with limited liability on 6 June 2016 and its issued shares have been listed on main board of the Stock Exchange since 12 October 2017 ("**Listing**"). The Group is a slope works contractor in Hong Kong with over 20 years of experience in civil engineering industry, which principally undertakes slope works as main contractor and also undertake ground investigation field works as subcontractor.

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.

As set out in the annual report of the Company, for the financial year ended 31 December 2017 (the "**2017 Annual Report**"), majority of the Group's revenue was derived from undertaking slope works commissioned by the Civil Engineering and Development Department of the Government of Hong Kong.

1.2 Historical financial performance of the Group

Set out below are extracts of consolidated financial information of the Group from the 2017 Annual Report and the interim report of the Company for the six months ended 30 June 2018 (the "**2018 Interim Report**").

	For the year ended 31 December		**For the six months ended 30 June**	
	2016	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue	344,766	275,813	169,444	113,073
Gross profit	49,556	43,145	25,094	12,506
Profit before income tax for the year/period attributable to the Shareholders	26,505	14,337	15,920	4,215
Profit for the year/period attributable to the Shareholders	20,404	9,517	12,414	3,354
Gross profit margin	14.37%	15.64%	14.81%	11.06%

	As at 31 December 2016	**As at 31 December 2017**	**As at 30 June 2018**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*
Net current assets	105,586	178,071	182,237
Total liabilities	57,463	43,500	37,201
Total assets	168,918	229,985	227,002
Net asset value	111,455	186,485	189,801
Equity attributable to the Shareholders	111,455	186,485	189,801

Source: The 2017 Annual Report and 2018 Interim Report of the Company

For the financial year ended 31 December 2017

For the financial year ended 31 December 2017, the Group's revenue amounted to approximately HK$275.81 million, representing a decrease of approximately 20.0% as compared to that for the previous financial year ended 31 December 2016. As set out in the 2017 Annual Report, such decrease was mainly resulting from (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 financial year ended 31 December 2017; 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.

For the financial year ended 31 December 2017, the Group's gross profit was approximately HK$43.15 million as compared to approximately HK$49.56 million in the previous financial year. The gross profit margin maintained relatively stable at approximately 15.64% and 14.37% for the financial years ended 31 December 2017 and 2016 respectively.

For the financial year ended 31 December 2017, the Group's profit before income tax and profit attributable to the Shareholders for the year amounted to approximately HK$14.34 million and HK$9.52 million respectively, representing a decrease in profit of approximately 45.91% and approximately 53.36% respectively as compared to the previous financial year. The Group's decreased profit were mainly attributable to the decrease in the Group's revenue and the increase in administrative expenses by approximately 18.6% due to the increase in the Group's listing expenses. It is also noted that the profit before income tax and profit attributable to the Shareholders for the six months ended 30 June 2017 are higher than those for the financial year ended 31 December 2017, which indicated that the Company was loss-making in the second half year of 2017. As disclosed in the published 2018 Interim Report and 2017 Annual Report of the Company, the Group recorded listing expenses of approximately HK$2,396,000 and approximately HK$10,705,000 for the six months ended 30 June 2017 and for the year ended 31 December 2017 respectively, the loss-making position was mainly be due to the increased listing expense in the second half year of the financial year ended 31 December 2017 (being the difference of approximately HK$8,309,000).

For the six months ended 30 June 2018

For the six months ended 30 June 2018, the Group's revenue amounted to approximately HK$113.07 million, substantially decreased by approximately 33.27% as compared to the corresponding period in the previous year. As set out in the 2018 Interim Report, such decrease in revenue was mainly due to (i) the completion of certain major slope works projects in the second half of 2017 or under the Review Period (for the six months ended 30 June 2018), and (ii) net off with revenue increase in the projects awarded in 2017, which have achieved significant progress in the Review Period.

For the six months ended 30 June 2018, the Group's gross profit was approximately HK$12.51 million, representing a substantial decrease of approximately 50.14% as compared to approximately HK$25.09 million in the corresponding period in 2017. The gross profit margin for the six months ended 30 June 2018 also reduced to approximately 11.06%, as compared to approximately 14.81% for the six months ended 30 June 2017. As set out in the 2018 Interim Report, such significant decrease in the gross profit margin for the six months ended 30 June 2018 was mainly due to (i) the increase in overall construction costs and (ii) the keen competition in the market for new projects. In order to maintain competitiveness in the slope works industry in Hong Kong, the Group has adjusted its pricing strategy, which in turn affects the gross profit margin for the six months ended 30 June 2018.

The Group's profit attributable to the Shareholders for the six months ended 30 June 2018 amounted to HK$3.35 million, representing a decrease of approximately 72.98% as compared to the corresponding period in 2017. The Group's decreased profit were mainly attributable to the decrease in the Group's revenue and the gross profit margin as mentioned above.

As at 30 June 2018, the Group recorded net current assets of approximately HK$182.24 million, representing an increase of approximately 2.34% as compared to the net current assets as of 31 December 2017. The Group's total liabilities as of 30 June 2018 was approximately HK$37.20 million, and the Group's current liabilities as of 30 June 2018 was approximately HK$35.59 million, which mainly comprised (i) trade and other payables of approximately HK$23.70 million; and (ii) borrowings of secured bank loan of approximately HK$6.67 million.

As at 30 June 2018, the Group recorded net assets value of approximately HK$189.80 million, representing an increase of approximately 1.78% as compared to the net assets value as of 31 December 2017.

1.3 Latest business development

As set out in the 2018 Interim Report, the Directors are aware that the keen industry competition and increase in overall construction cost may continually affect the Group's gross profit and profit margin. In order to maintain the market share in the slope works industry, the Group will closely monitor the market and respond to changes in market conditions.

As set out in the 2018 Interim Report, as at 30 June 2018, the Group has 39 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$401.5 million. From 1 July 2018 to 31 August 2018, the Group has secured a slope work project as a main contractor in public sector with a contract sum of approximately HK$115.6 million and that project is expected to be completed by 2021. We are advised by the Management that it has been negotiating and bidding for slope work and/or other engineering projects from time to time in their ordinary course of business. The Group has continued to be awarded with projects that would take approximately one to three years to complete after the above said period.

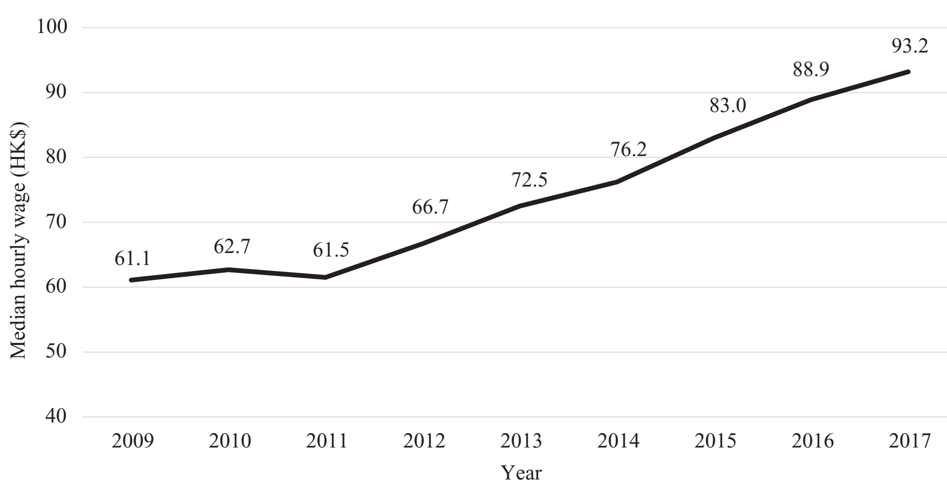
1.4 Industry outlook of the principal business of the Group

The Company is principally engaged in undertaking slope works in Hong Kong as a main contractor. As disclosed in the 2018 Interim Report, the management of the Company is of the view that the Group is facing increasing overall construction costs and keen competition in the market for future projects. The profitability of the Group is affected by the direct cost of business and the subcontractor's service fee which are substantially affected by the generally increasing cost of labour and construction materials.

With reference to the latest Quarterly Report of Employment and Vacancies at Construction Sites issued by the Census and Statistics Department of Hong Kong, there were 1,505 active construction sites in September 2018, the number of sites was 1.1% and 3.4% higher than those in June 2018 and September 2017 respectively. The increased in amount of construction projects in Hong Kong increases the demand for construction workers. With the aging construction labor force in Hong Kong, there is a general shortage of construction workers, such increase in project may also have direct impact on the labor cost.

According to the Report on Annual Earnings and Hours Survey released by the Census and Statistics Department of Hong Kong, the median hourly rate of construction workers in Hong Kong has been on an upward trend since 2011 as shown in the graph below. The median hourly rate of construction workers in Hong Kong increased from about HK$61.5 in 2011 to HK$93.2 in 2017, representing a compounded annual growth rate of approximately 7.2%.

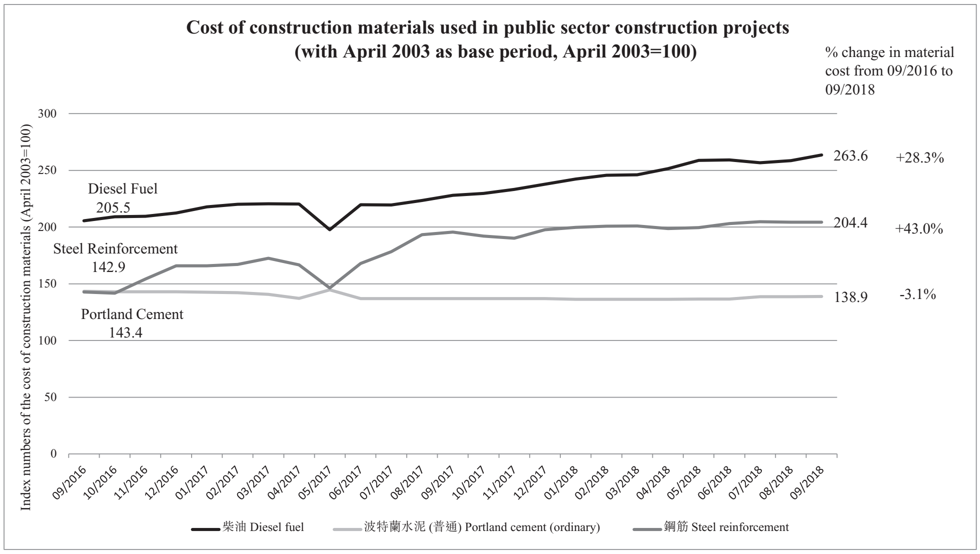
Median hourly wage for all employees in the construction industry in Hong Kong (2009-2017)



Source: Census and Statistics Department, Hong Kong

We have also made reference to the Index Numbers of the Costs of Labour and Materials used in Public Sector Construction Projects (April 2003 = 100) published by the Census and Statistics Department Hong Kong Special

Administrative Region for the most recent two years of available data (from September 2016 to September 2018). The historical price trends of the key raw materials for slope projects of the Group including steel reinforcements, diesel fuel and Portland cement are displayed as follows.



Source: Census and Statistics Department, Hong Kong

As shown above, whilst the price level of Portland cement has remained relatively stable for the two-year period from September 2016 to September 2018, the price level of diesel fuel and steel reinforcement has been on an upward trend for the period, with increase of 28.3% and 43.0% respectively.

Though there is increase in amount of construction projects in Hong Kong, such active market may not directly contribute to profitability given the keen competition in the tender process for new projects. As disclosed above, the gross profit margin of the Group reduced for the six months ended 30 June 2018 mainly due to the pricing strategy adjustment to maintain the Group's competitiveness in the slope works industry in Hong Kong. We have also reviewed the latest financial statements of other listed companies that are engaging in slope work business in Hong Kong, namely the Comparables (as defined in the following section) and we noted that (i) their profitabilities in terms of gross profit margin and profit margin have been decreased and (ii) their management also expressed that the overall market condition of the industry was relatively challenging and the cost of subcontracting is high.

Given the challenging operating environment resulting from the increased labor costs, increased construction material cost and keen tender process for new projects, we consider that the prospects and outlook of the slope work business in Hong Kong would continue to be challenging and the business prospect of the Group is subject to uncertainties and challenges.

1.5 Section summary

With the continued challenging operating environment facing by the Group as evidenced by the deteriorated in gross profit margin and profit for latest financial result for the six months ended 30 June 2018, there remains uncertain as to whether the Group's financial performance can be improved in near future.

2. Information on the Offeror and the Offeror's intention in relation to the Group

2.1 Information on the Offeror

As set out in the Letter from RaffAello Securities in the Composite Document, the Offeror is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, save for entering into of the MOU and the Share Purchase Agreement, the Offeror did not engage in any other business activities.

As set out in the Letter from RaffAello Securities in the Composite Document, Mr. Chen Zhi ("**Mr. Chen**"), aged 31, is the sole ultimate beneficial owner and the sole director of the Offeror. Mr. Chen is Cambodian, holds a Degree of Bachelor of Business Administration from National University of Management, Kingdom of Cambodia. Currently, he is the director and controlling shareholder of Prince Real Estate (Cambodia) Group Co., Ltd., the holding company for a group of companies principally engaged in property development of commercial and residential properties in Cambodia (the "**Prince Group**"), which has a land reserve of over 4 million square meters in Cambodia. Mr. Chen is the Chairman of the Prince Group, who is responsible for formulating corporate strategies, business development plans and major corporate decisions of the Prince Group. Mr. Chen has over seven years of experience in the areas of property agency and development. In addition, Mr. Chen also has extensive experience in internet industry in Cambodia and Singapore, and is a director of several internet industry related companies in Cambodia and Singapore which are principally engaged in providing internet services and information technology solutions. Moreover, Mr. Chen has invested in the Hong Kong securities market since 2015.

Mr. Chen has confirmed that he has not been a controlling shareholder of any listed companies in Hong Kong since 2015 and immediately prior to the Completion.

2.2 The Offeror's intention in relation to the Group

Upon Completion, Mr. Chen became the controlling shareholder of the Company and is interested in approximately 52.64% of the total number of issued share capital of the Company and has become the controlling shareholder of the Company.

As set out in the Letter from RaffAello Securities in the Composite Document, the Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at such time permitted under the Listing Rules and/or the Takeovers Code). The Offeror also intends to continue the existing principal business of the Group. However, the Offeror also intends to review the operation and business activities of the Group after the close of the Offer to formulate a long-term business strategy for the Group. Subject to the results of such review, the Offeror may explore other business and/or seek to expand the geographical coverage of the principal business of the Group in addition to the market of Hong Kong for enhancing the future development and strengthening the revenue bases of the Group.

Save for the Offeror's intention regarding the Group as set out above and in the Letter from RaffAello, (i) the Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business; and (ii) as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group.

The Offeror intends to nominate new directors to the Board with effect from the earliest time permitted under the Listing Rules and/or the Takeovers Code. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and the Listing Rules and further announcement(s) will be made as and when appropriate.

Maintaining the listing status of the Company

As set out in the Letter from RaffAello Securities in the Composite Document, the Offeror intends to maintain the listing status of the Company on the Stock Exchange.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all timess, or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the Shares; or

(b) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board as nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the Offer.

Compulsory acquisition

As set out in the Letter from RaffAello Securities in the Composite Document, the Offeror does not intend to exercise of any powers of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

2.3 Section summary

Though the Offeror will conduct a review of the operation and business activities of the Group in order to formulate a long-term business strategy for the Group, and may explore other business and/or seek to expand the geographical coverage of the principal business of the Group in addition to the market of Hong Kong, such review has not been started and the Offeror has not identified such investments or business opportunities in any industry segments.

3. Information on the Offer

3.1 Principal terms of the Offer

RaffAello Securities (HK) Limited, makes the Offer for and on behalf of the Offeror on terms setting out in the Composite Document on the following basis:

For each Offer Share . . . . HK$0.378 in cash

The offer price of HK$0.378 for each offer share (the "**Offer Price**") is the same as the price paid for each Sale Share by the Offeror to the Vendors pursuant to the Share Purchase Agreement. The Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

As at the Latest Practicable Date, there are 1,400,000,000 Shares in issue and the Company does not have any outstanding options, warrants or securities derivatives or convertible into Shares.

Assuming that there is no change in the issued share capital of the Company and based on the Offer Price of HK$0.378 per Share, the total issued share capital of the Company is valued at HK$529,200,000. The Offer will be made to the Offer Shareholders. As the Offeror and parties acting in concert with it hold in aggregate 737,000,000 Shares immediately after Completion, 663,000,000 Shares will be subject to the Offer. Based on the Offer Price of HK$0.378 per Share, the consideration of the Offer would be HK$250,614,000. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made.

The Offer is unconditional in all respects. Acceptance of the Offer will be unconditional and irrevocable once given and cannot be withdrawn, except as permitted under the Takeovers Code.

3.2 Comparison of the market prices of the Shares

The Offer Price of HK$0.378 per Offer Share represents:

(i) a discount of approximately 31.27% to the closing price of HK$0.55 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 13.10% to the closing price of HK$0.435 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 18.71% to the average closing prices of approximately HK$0.465 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 31.09% to the average closing prices of approximately HK$0.549 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 27.45% to the average closing prices of approximately HK$0.521 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day; and

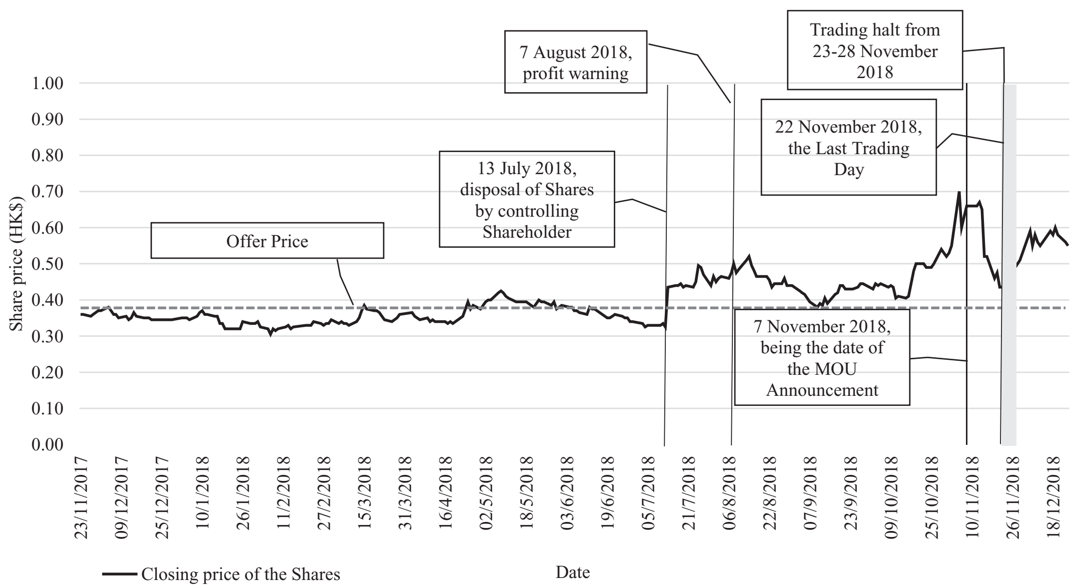
(vi) a premium of approximately 177.94% over the Group's unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2018 of HK$189,801,000 (based on a total of 1,400,000,000 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK$0.136 as at 30 June 2018).

As disclosed above, the Offer Price represents discounts to prevailing share prices, but of a significant premium over the net asset value per Share.

3.3 Historical price performance of the Shares

In order to assess the discount of the Offer Price to the share price, we have reviewed the historical daily closing prices of the Shares as quoted on the Stock Exchange during the period from 23 November 2017 to 22 November 2018 (i.e., the Last Trading Day), being one year prior to the Last Trading Day, and further up to the Latest Practicable Date (the "**Review Period**") as depicted in the following chart. We consider that the Review Period is adequate to illustrate the recent closing price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Offer Price. The comparison of the Offer Price and the closing prices of the Shares is illustrated as follows:

Chart: Comparison of the Offer Price to the closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange

Note: During the Review Period, trading in the Shares was halted or suspended on 22 January 2018, 13 July 2018 (pending the release of announcement in respect of the disposal of Shares by the Vendor 1 through placing, through which 313,000,000 Shares were disposed at HK$0.32 per Share), 7 November 2018 (pending the release of announcement relating to the MOU), and from 23 November 2018 to 28 November 2018 (pending the release of the joint announcement relating to the Share Purchase Agreement).

During the Review Period, the closing price of the Shares ranged from HK$0.305 per Share (recorded on 6 February 2018) to HK$0.700 per Share (recorded on 5 November 2018), with an average of HK$0.407 per Share. It is noted that the Offer Price of HK$0.378 falls within the range of highest and lowest closing price of Shares during the Review Period and represents (i) a premium of approximately 23.93% over the lowest closing price of Shares; (ii) a discount of approximately 46.00% to the highest closing price of Shares; and (iii) a discount of approximately 7.13% to the average daily closing price of Shares during the Review Period.

During the Review Period, there was a notable increase in the closing prices of the Shares to HK$0.435 on 13 July 2018, the date on which the Vendor 1 disposed 313,000,000 Shares (representing approximately 22.36% of the issued share capital of the Company) via a sole placing agent to 24 placees at HK$0.32

per Share in pre-open market. The Share price then shown an increasing trend and reached HK$0.520 per Share on 14 August 2018. However, such trend did not sustain and the price fell to the lowest of HK$0.38 on 10 September 2018 and was slightly higher than the Offer Price.

We also noted there was another sharp increase in price around the time of the MOU Announcement, however the share price retracted to the previous price level before the Last Trading Day. Before the suspension of the Shares on the Last Trading Day, the Share price was HK$0.435 per Share. After the resumption of trading, the Share price increased to the highest of HK$0.60 on 13 December 2018. We consider that such increase in the Share price may due to market reaction to the possible change of control of the Company and there is no assurance that the price of the Shares will rise or continue to maintain at a level equal to or above the Offer Price after the Latest Practicable Date or after the close of Offer.

Given that (i) the Offer Price is within the aforesaid range of Share price during the Review Period; (ii) out of the 258 trading days from the Review Period up to and including the Latest Practicable Date, there were 125 trading days with closing price less than the Offer Price, represent approximately 48% of the trading days during such period; (iii) the Offer Price represents a significant premium over the net asset value per Share of the Company; (iv) the keen competition and the deteriorating profit margin in the general operating environment will continue to affect the profitability and prospect of the Company; (v) the trading volume of the Shares has been thin during the Review Period as elaborated below, such recent Share price level subsequent to the change in control of the Company may not sustain in the future, we are of the view that the Offer Price and the discounts are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

3.4 Historical trading liquidity of the Shares

Apart from the daily closing price of the Shares, we have also performed a review on the average daily trading volume per month (the "**Average Daily Volume**") of the Shares in the Review Period, which is commonly used for analysis purpose to illustrate the liquidity of the Shares.

Month	Total monthly trading volume	Number of trading days	Average Daily Volume	Average Daily Volume over total number of Shares in issue *(Note 6)*	Average Daily Volume over the number of total Shares in public hands *(Note 7)*
	(approximate)	*(no. of day)*	*(approximate)*	*(approximate %)*	*(approximate %)*
2017					
November *(Note 1)*	28,352,000	6	4,725,333	0.34%	1.35%
December	36,216,000	19	1,906,105	0.14%	0.54%
2018					
January *(Note 2)*	52,568,080	21	2,503,242	0.18%	0.72%
February	17,880,000	18	993,333	0.07%	0.28%
March	45,008,000	21	2,143,238	0.15%	0.61%
April	20,504,000	19	1,079,158	0.08%	0.31%
May	64,032,000	21	3,049,143	0.22%	0.87%
June	9,896,000	20	494,800	0.04%	0.14%
July *(Notes 3, 4)*	257,908,000 *(Note 4)*	21	12,281,333	0.88%	1.96%
August	101,808,000	23	4,426,435	0.32%	0.67%
September	20,776,000	19	1,093,474	0.08%	0.16%
October	50,224,000	21	2,391,619	0.17%	0.36%
November *(Notes 2, 5)*	303,048,000	17	17,826,353	1.27%	2.69%
December	19,192,000 *(Note 5)*	12	1,599,333	0.11%	0.24%
			max	1.27%	2.69%
			min	0.04%	0.14%
			Average	0.29%	0.78%

Source: Information from the website of the Stock Exchange

Notes:

(1) The average trading volume of the Shares in November 2017 began on 23 November 2017.

(2) Trading in the Shares has been halted on 22 January 2018 and 7 November 2018, and trading has been suspended from 23 November 2018 to 28 November 2018. These trading days are excluded from calculation in the table above.

(3) Trading in the Shares has been halted on 13 July 2018 from 11:24 a.m.. This trading day is included in the above calculation.

(4) The 313,000,000 Shares disposed by the Vendor 1 on 13 July 2018 are excluded in the calculation above.

(5) The 737,000,000 Shares under the Share Purchase Agreement are excluded in the calculation above.

(6) The total number of Shares in issue was 1,400,000,000 Shares throughout the Review Period.

(7) The total number of Shares in public hands was 350,000,000 Shares before the disposal of shares by Vendor 1 on 13 July 2018 and 663,000,000 Shares after the disposal of shares by Vendor 1 on 13 July 2018.

In summarizing the trading volume of the Company, we have excluded the 313,000,000 Shares disposed by the Vendor 1 on 13 July 2018 and the 737,000,000 Shares disposed under the Share Purchase Agreement as we consider the inclusion of these would distort our analysis of the general liquidity of the Shares in the open market.

As illustrated in the table above, the Average Daily Volume during the Review Period ranged from approximately 494,800 Shares in June 2018 to approximately 17,826,353 Shares in July 2018, representing (i) approximately 0.04% to approximately 1.27% of the total number of Shares as at the Latest Practicable Date, with an average of 0.29% only, and (ii) approximately 0.14% to 2.69% of the total number of public shares during the Review Period, with an average of 0.78%.

We noted that there are also relatively higher average trading volume in July 2018 and November 2018. We consider that such increase in the trading volume may be due to market reaction to the disposal of Shares by the Vendor 1 and/or the Vendors and the speculation on the change of control of the Company. Meanwhile, we noted that after the announcement of the terms of the Offer and the completion of the Share Purchase Agreement, the Average Daily Volume over total number of issued shares substantially decreased in December 2018 to a monthly average of 0.11% only. Therefore we consider that the higher trading volume in November 2018 would not sustain in the future.

We consider that the trading volume of the Shares was relatively low during the Review Period. Such thin trading may indicate uncertainty as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Offer Shareholders can receive by the disposal of their Shares in the open market. The Offer, therefore, represents an assured opportunity for the Independent Shareholders, particular for those who hold a large number of the Shares, to dispose of some or all of their Shares at the Offer Price if they so wish, without creating a significant downside pressure on the market trading price of the Shares.

3.5 Comparable analysis

To further assess the fairness and reasonableness of the Offer Price, we have conducted a comparable analysis through identifying companies which are primarily engaged in similar business activities as the Company and are listed on the Stock Exchange. We have attempted to use the two commonly adopted approaches in evaluation of a company, namely the price-to-earning ratio (the "**PER**") and price-to-book ratio (the "**PBR**"), as the data for calculating such ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market which we consider would produce appropriate and fair reference.

Based on the Offer Price of HK$0.378 per Offer Share and the equity attributable to Shareholders of approximately HK$0.136 per Share as at 30 June 2018, the PBR of the Company implied by the Offer Price is approximately 2.78 times (the "**Implied PBR**"). The PER of the Company implied by the Offer Price is approximately 55.61 times (the "**Implied PER**") based on the net profit attributable to Shareholders of approximately HK$9,517,000 for the year ended 31 December 2017 and 1,400,000,000 Shares in issue.

For comparison purpose, we have conducted a search of comparables which are most relevant to the Company and the selection criteria as follows: (i) companies that are listed on the Stock Exchange; (ii) companies that have engaged in undertaking slope works and derived more than 50% of its revenue from the such activity in Hong Kong and had separately disclosed such information in their latest published annual reports. Based on these criteria, we have identified an exhaustive list of 2 comparables listed on the Stock Exchange (the "**Comparable(s)**").

However, with the two Comparables obtained, (i) we observed that there is only one Comparable that is profit making, we are not able to form a range for comparison purpose; and (ii) we observed from the published financial information of the Company and the Comparables that the plant and machinery they used in conducting their business represent very small portions of their respective total assets, indicating that slope works business is not capital intensive, such nature may impair the applicability of the PBR analysis.

However given the Group and the Comparables (i) are principally engaged in the same business and generate source of revenue similar to that of the Group; and (ii) are in general affected by similar macroeconomic factors including the economy in Hong Kong, the outlook of construction industry in Hong Kong (such as the opportunities and challenges facing by the operators), and government policies/regulations on construction industry or construction, we set out details of the two Comparables for reference.

No.	Company name (stock code)	Principal business	Revenue set out in the latest full financial year	Market capitalisation on the Latest Practicable Date	PER *(Note 1)*	PBR *(Note 2)*
			(HK$ million)	*(HK$ million)*	*(times) (approximate)*	*(times) (approximate)*
1.	Tai Kam Holdings Limited（泰錦控股有限公司）(8321.HK)	Principally engaged in undertaking slope works in Hong Kong as main contractor.	180.10	64.00	5.84	0.63
2.	Zhejiang United Investment Holdings Group Limited（浙江聯合投資控股集團有限公司）(8366.HK)	Principally engaged in the undertaking of slope works, foundation works and other general building works in Hong Kong.	137.80	191.52	N/A *(Note 3)*	2.96
		Maximum			**5.84**	**2.96**
		Minimum			**5.84** *(Note 3)*	**0.63**
		Average			**5.84** *(Note 3)*	**1.80**
		The Company	**275.81**	**529.20***	**55.61***	**2.78***

* Based on the Offer Price

Source: Information from the website of the Stock Exchange

Notes:

(1) In our analysis, we make reference to the profit/(loss) attributable to the owners of the respective companies according to their latest available annual reports/results.

(2) The PBR of the Comparables are calculated as their respective market capitalisation as at the Latest Practicable Date divided by their respective equity attributable to owners of the company according to their latest available interim or annual/results.

(3) Zhejiang United Investment Holdings Group Limited (8366.HK) recorded loss in its latest published financial year, thus its PER is not applicable.

Analysis of PER

As illustrated in the table above, there is only one available PER of the Comparables (excluding the one which did not record profit in the latest financial year), which is approximately 5.84 times, the Implied PER of approximately 55.61 times is substantially greater than such Comparable's PER.

Analysis of PBR

As illustrated in the table above, we note that the PBR of the Comparables are approximately 0.63 times and approximately 2.96 times, with an average of approximately 1.80 times. The Implied PBR of approximately 2.78 times falls between the PBR of the Comparables and is above the average of the Comparables' PBR.

3.6 Section summary

Notwithstanding that the Offer Price was below the closing prices of the Shares in the later part of the Review Period and is at discounts to the current price of the Shares, having considered that (i) the Offer Price is within the aforesaid range of Share price during the Review Period; (ii) such recent Share price level subsequent to the change in control of the Shares may not sustain in the future; (iii) the Offer Price represents a significant premium over the net asset value per Share; (iv) the trading volume of the Shares has been thin which may indicate uncertainty as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares; and (v) the deteriorating profit making level of the Company and the challenging operating environment facing by the industry and the Group as discussed in the previous section in this Letter, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Taking into consideration the aforementioned principal factors and reasons, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

However, the Offer Shareholders who intend to accept the Offer, are reminded to closely monitor the market price and liquidity of the Shares before the close of the Offer, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Offer.

For those Offer Shareholders who intend to dispose large blocks of Shares in the open market are also reminded of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the price of the Shares in view of the thin trading of the Shares.

For those Offer Shareholders who consider to retain their Shares in full or in part, are advised that there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period.

The Offer Shareholders are reminded that their decisions to dispose of or hold their investment in the Shares are subject to their individual circumstances and investment objectives. The Offer Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the Forms of Acceptance accompanied, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Shinco Capital Limited
Bobby Chow **Teresa Tsang**
Managing Director *Director*

Mr. Bobby Chow is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

Ms. Teresa Tsang is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong in an envelope marked "Geotech Holdings Ltd. Offer" to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/

custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/ registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form(s) of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form(s) of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to RaffAello Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form(s) of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the completed Form(s) of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance to the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

(f) If the Form(s) of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(g) Seller's ad valorem stamp duty for transfer of Shares registered in the seller's name by the Company through the Registrar arising in connection with acceptance of the Offer will be payable by the relevant Offer Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Offer Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Offer Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(h) No acknowledgement of receipt of any Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form(s) of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form(s) of Acceptance, and the Offer will be closed on the Closing Date.

(b) The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

(c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Offer Shareholders who have not accepted the Offer.

(d) If the Offeror revises the terms of the Offer, all Offer Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

(e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

3. ANNOUNCEMENT

(a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired. Such announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period;

(iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period;

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

(v) the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

(c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive has confirmed that it has no further comments, will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (https://www.geotech.hk).

4. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I headed "Announcement" above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Offer Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Offer Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Offer Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form(s) of Acceptance for the Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Offer Shareholders in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/ her/ it) will be despatched to the accepting Offer Shareholders by ordinary post at his/ her/ its own risk as soon as possible but in any event within 7 Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix I) and the accompanying Form(s) of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

6. OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes). The Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert, RaffAello Securities, Shinco Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

7. TAX IMPLICATIONS

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert, RaffAello Securities, Shinco Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

8. GENERAL

(a) All communications, notices, Form(s) of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and their respective ultimate beneficial owners and parties acting in concert with them, RaffAello Securities, Shinco Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.

(b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and RaffAello Securities that the Shares tendered under the Offer are sold or tendered by such Offer Shareholder(s) free from all Encumbrances and together with all rights and benefits attached thereto, including all rights to any dividends or other distributions, declared, made or paid on or after the date on which the Offer is made.

(c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.

(d) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms of the Offer.

(e) The accidental omission to despatch this Composite Document and/or the accompanying Form(s) of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

(f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(g) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror and/or RaffAello Securities and/or such person or persons as any of them may direct to complete and execute on behalf of the person(s) accepting the Offer, and to do any other act(s) that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.

(h) The Offer is made in accordance with the Takeovers Code.

(i) References to the Offer in this Composite Document and in the Form(s) of the Acceptance shall include any extension and/or revision thereof.

(j) The English texts of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

1.1 Set out below is a summary of the audited consolidated financial results of the Group for each of the financial years ended 31 December 2015, 2016 and 2017, respectively, as extracted from the relevant published financial statements of the Group for the relevant years, and the unaudited consolidated financial results of the Group for the six months ended 30 June 2017 and 2018 as extracted from the published interim report of the Company dated 28 September 2018.

	For the six months ended 30 June	**For the six months ended 30 June**	**For the year ended 31 December**		
	2018	**2017**	**2017**	**2016**	**2015**
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	113,073	169,444	275,813	344,766	391,427
Direct costs	(100,567)	(144,350)	(232,668)	(295,210)	(331,008)
Gross Profit	12,506	25,094	43,145	49,556	60,419
Other income	1,752	1,423	2,138	3,103	1,260
Administrative expenses	(9,895)	(10,406)	(30,592)	(25,796)	(18,503)
Finance costs	(148)	(191)	(354)	(358)	(257)
Profit before income tax	4,215	15,920	14,337	26,505	42,919
Income tax expense	(861)	(3,506)	(4,820)	(6,101)	(7,516)
Profit for the period/year attributable to owners of the Company	3,354	12,414	9,517	20,404	35,403
Other Comprehensive income					
Items that may be classified subsequently to profit or loss					
Fair value gain/(loss) on available-for-sale financial asset	–	87	151	(9)	(43)
Item that will not be classified subsequently to profit or loss					
Fair value loss on financial assets at fair value through other comprehensive income	(38)	–	–	–	–
Total comprehensive income for the period/year attributable to owners of the Company	3,316	12,501	9,668	20,395	35,360

The Company was incorporated in the Cayman Islands with limited liability on 6 June 2016 and its issued shares have been listed on main board of the Stock Exchange since 12 October 2017 ("**Listing**"). No dividend has been paid or declared by the Company since its date of incorporation. Prior to the group reorganisation in connection with the Listing, (i) Praise Marble Limited, a wholly owned subsidiary of the Company, had declared and paid dividends to its then shareholders of HK$30.0 million (HK$300,000 per share) during the year ended 31 December 2017; and (ii) Geotech Engineering Limited, a wholly owned subsidiary of the Company, had declared and paid dividends to its then shareholders of HK$3.2 million (HK$0.32 per share) during the year ended 31 December 2015.

The basic and diluted earnings per share was approximately HK$1.77 cents and HK$0.79 cents for the years ended 31 December 2016 and 2017 respectively. The basic and diluted earnings per share for the year ended 31 December 2015 is not presented as such information is not available in view of the Company was incorporated on 6 June 2016.

The basic and diluted earnings per share was approximately HK$1.08 cents and HK$0.24 cents for the six months ended 30 June 2017 and 2018 respectively.

The Group did not record any non-controlling interests for each of the years ended 31 December 2015, 2016 and 2017, and the six months ended 30 June 2018.

The auditors of the Company for the three years ended 31 December 2017 were Grant Thornton Hong Kong Limited, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the consolidated financial statements of the Group for each of the three years ended 31 December 2017.

Save as disclosed below, there were no items of any income or expense which was material in respect of the consolidated financial results of the Group for each of the financial year ended 31 December 2015, 2016 and 2017:

(i) During the years ended 31 December 2017 and 2016, the Group incurred listing expenses of approximately HK$10.7 million and approximately HK$8.6 million respectively, which were primarily professional fees in connection with the listing. The listing took place in October 2017.

2. UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2018

Set out below is the full text of the unaudited consolidated financial statements of the Group for the six months 30 June 2018 extracted from the interim report of the Company for the six months ended 30 June 2018.

Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (note (i))
Revenue	5	113,073	169,444
Direct costs		(100,567)	(144,350)
Gross profit		12,506	25,094
Other income	6	1,752	1,423
Administrative expenses		(9,895)	(10,406)
Finance costs	7	(148)	(191)
Profit before income tax	8	4,215	15,920
Income tax expense	9	(861)	(3,506)
Profit for the period attributable to owners of the Company		3,354	12,414
Other comprehensive (expense)/income, net of tax			
Items that may be classified subsequently to profit or loss			
Fair value loss on available-for-sale financial assets		–	87
Items that will not be classified subsequently to profit or loss			
Fair value loss on financial assets at fair value through other comprehensive income *(note (ii))*		(38)	–
Total comprehensive income for the period attributable to owners of the Company		3,316	12,501
		HK cent	*HK cents*
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	11	0.24	1.08

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (refer to note 3 for details).

(ii) This amount is recognised under the accounting policies prior to 1 January 2018. Its part of the opening balance adjustments as at 1 January 2018, the balance of this reserves has been reclassified to financial assets fair value reserve and will not be reclassified to profit or loss in any future periods.

Condensed consolidated statement of financial position
As 30 June 2018

	Notes	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 HK$'000 (audited) (note (i))
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	7,930	8,605
Financial assets at fair value through other comprehensive income	13	1,243	–
Available-for-sales financial assets	13	–	1,281
		9,173	9,886
Current assets			
Trade and other receivables	14	59,235	57,837
Contract assets	15	48,621	–
Amounts due from customers on construction contracts	15	–	49,945
Tax recoverable		2,139	2,931
Cash and bank balances	16	107,834	109,386
		217,829	220,099
Current liabilities			
Trade and other payables	17	23,697	30,288
Borrowings, secured	18	6,667	10,000
Obligation under finance leases	19	1,048	490
Contract liabilities	15	4,180	–
Amounts due to customers on construction contracts	15	–	1,250
		35,592	42,028
Net current assets		182,237	178,071
Total assets less current liabilities		191,410	187,957

	Notes	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 HK$'000 (audited) (note (i))
Non-current liabilities			
Obligation under finance leases	19	501	433
Deferred tax liabilities		1,108	1,039
		1,609	1,472
Net assets		189,801	186,485
CAPITAL AND RESERVES			
Share capital	20	14,000	14,000
Reserves		175,801	172,485
Total equity		189,801	186,485

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (refer to note 3 for details).

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2018

	Share capital	Share Premium	Capital Reserve	Available-for-sale financial assets revaluation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at 1 January 2017	10,011	–	–	9	101,435	111,455
Profit for the period	–	–	–	–	12,414	12,414
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	–	–	–	87	–	87
Total comprehensive income for the period	–	–	–	87	12,414	12,501
Transaction with owners:						
Interim dividend 2017 *(Note 10)*	–	–	–	–	(30,000)	(30,000)
Transaction with owners	–	–	–	–	(30,000)	(30,000)
Balance at 30 June 2017	10,011	–	–	96	83,849	93,956

	Share capital HK$'000 (unaudited)	Share premium* HK$'000 (unaudited)	Capital reserve* HK$'000 (unaudited)	Available-for-sale financial assets revaluation reserve* HK$'000 (unaudited)	Financial assets fair value reserve* HK$'000 (unaudited)	Retained earnings* HK$'000 (unaudited)	Total HK$'000 (unaudited)
Balance at 31 December 2017	14,000	81,362	10,011	160	–	80,952	186,485
Impact on initial application of HKFRS 9	–	–	–	(160)	160	–	–
Balance at 1 January 2018	14,000	81,362	10,011	–	160	80,952	186,485
Profit for the period	–	–	–	–	–	3,354	3,354
Other comprehensive income, net of tax:							
Items that will not be classified subsequently to profit or loss							
– Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	(38)	–	(38)
Total comprehensive income for the period	–	–	–	–	(38)	3,354	3,316
Balance at 30 June 2018	**14,000**	**81,362**	**10,011**	**–**	**122**	**84,306**	**189,801**

* The reserves accounts comprise the Group's reserves of HK$175,801,000 as at 30 June 2018 (31 December 2017: HK$172,485,000) in the condensed consolidated statement of financial position.

Condensed consolidated statement of cash flows
for the six months ended 30 June 2018

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cash flow from operating activities		
Cash generated from operations	2,816	16,257
Interest paid	(148)	(191)
Income tax paid	–	(1,735)
Net cash generated from operating activities	2,668	14,331
Cash flow from investing activities		
Interest received	186	–
Purchase of property, plant and equipment	(1,203)	(1,089)
Proceeds from disposal of property, plant and equipment	705	627
Net cash used in investing activities	(312)	(462)
Cash flow from financing activities		
Repayment of borrowings	(3,333)	(3,334)
Payment of finance lease liabilities	(575)	–
Dividend paid	–	(30,000)
Decrease in amounts due from directors	–	319
Increase in amounts due from related companies	–	(166)
Net cash used in financing activities	(3,908)	(33,181)
Net decrease in cash and cash equivalents	(1,552)	(19,312)
Cash and cash equivalents at the beginning of period	109,386	53,411
Cash and cash equivalents at end of period	107,834	34,099

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2018

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 6 June 2016. The Shares of the Company (the "Shares") are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 October 2017. 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 Hong Kong.

The Company is an investment holding company, and its subsidiaries are principally engaged in undertaking slope works in Hong Kong.

As at 30 June 2018, to the best knowledge of the Directors, the Company's immediate and ultimate holding company is Flourish Team Limited, a limited 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 limited 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".

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial statements do not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017.

The condensed consolidated interim financial statements are unaudited, but has been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited.

The condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") as set out below:

(i) Adoption of new and amended HKFRSs

In addition to the adoption of the following amendments to HKFRSs that have become effective for accounting period beginning on 1 January 2018 and are relevant to the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2017 Cycle
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The Group has applied all the other amendments, which are mandatory for the financial year beginning 1 January 2018.

Other than as noted below, the adoption of these newly effective HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "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 establishes a single comprehensive 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:

1. Identify the contract(s) with customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

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

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods and services that are substantially the same. In determining the performance obligations, the Group considers whether the customer benefits from the good and service on its own and whether it is distinct in the context of the contract. Factors considered by the Group indicate the goods and services are not separately identifiable would include:

- Whether a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted;

- Whether one or more of the goods or services significantly modifies or customises, or are significantly modified or customised by, one or more of the other goods or services promised in the contract;

- the goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the contract.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group provides slope work services under contracts with customers which are entered into before the services begin. Under the terms of the contracts, the Group's performance creates and enhances an asset that the customer controls which referred as the designated areas where the slope work services performed. Revenue from provision of slope work services is therefore recognised over time. The progress towards complete satisfaction of a performance obligation in the slope work services is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the construction works certified by the customers or their agents).

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

There was no material impact of transition to HKFRS 15 on retained earnings at 1 January 2018. In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount on 31 December 2017 under HKAS 18	**Reclassification**	**Carrying amount on 1 January 2018 under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Amounts due from customers for contract work	49,945	(49,945)	–
Contract assets	–	49,945	49,945
Current liabilities			
Amounts due to customers for contract work	1,250	(1,250)	–
Contract liabilities	–	1,250	1,250

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" ("ECL") model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of HKFRS 9 has impacted the following areas:

(a) Classification and measurement

The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, available-for-sale financial assets under HKAS 39 has been reclassified as financial assets at fair value through other comprehensive income under HKFRS 9. Fair value changes previously accounted for in available-for-sale financial asset revaluation reserve has transferred to the opening balance of financial assets at fair value through other comprehensive income reserve as at 1 January 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount on 31 December 2017 under HKAS 39	**Reclassification**	**Carrying amount on 1 January 2018 under HKFRS 9**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Available-for-sales financial assets	1,281	(1,281)	–
Financial assets at fair value through other comprehensive income	–	1,281	1,281

The impact of these changes on the group's equity is as follows:

	Available-for-sale financial assets revaluation reserve	**Financial assets fair value reserve**
	HK$'000	*HK$'000*
Balance at 31 December 2017	160	–
Reclassification from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(160)	160
Balance at 1 January 2018	–	160

(b) Impairment

Under the ECL 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 ECL or a lifetime ECL, depending on the asset and the facts and circumstances.

For trade receivables, retention receivables and contract assets, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

For all other financial assets at amortised cost, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- The receivables with low credit risk on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired;
- If the receivables is credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on ECL on a lifetime basis.

Measurement of ECLs

When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial statements require management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 December 2017.

5. REVENUE

The Group's principal activities are disclosed in Note 1 of the condensed consolidated financial statements.

Revenue recognised for the six months ended 30 June 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Contracting revenue	113,073	169,444

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. All the performance obligation of revenue from contracts with customers of the Group are satisfied over time.

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:

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	69,668	76,332
Customer B	N/A	24,318
Customer C	15,088	N/A

6. OTHER INCOME

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Consultancy fee income	140	–
Rental income from lease of machinery	462	138
Labour charges income	–	587
Safety consultancy income	166	348
Interest income	186	–
Others	798	350
	1,752	1,423

7. FINANCE COSTS

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank loan and overdrafts interest	126	191
Finance charge on obligations under finance lease	22	–
	148	191

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before tax is stated after charging/(crediting):		
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	13,811	16,450
Discretionary bonuses	1,797	721
Contributions to defined contribution retirement plans	468	200
Staff costs (including directors' remuneration) *(note (i))*	16,076	17,371

(b) Other items

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation, included in:		
Direct costs		
– Owned assets	220	417
– Leased assets	63	–
Administrative expenses		
– Owned assets	1,239	1,188
– Leased assets	48	–
	1,570	1,605
Operating lease charges in respect of premises	920	1,089
Subcontracting charges (included in direct costs)	82,530	118,896
Listing expenses	–	2,396
Gain on disposal of property, plant and equipment	(397)	(89)
Auditors' remuneration	216	33

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

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Direct costs	10,854	12,855
Administrative expenses	5,222	4,516
	16,076	17,371

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 June 2018 (2017: 16.5%).

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Provision for Hong Kong profits tax		
– Current tax	822	2,503
– (Over)/Under provision in respect of prior years	(30)	362
	792	2,865
Deferred tax	69	641
Total income tax expense	861	3,506

10. DIVIDENDS

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interim dividends	–	30,000

Prior to the group reorganisation of the Company in connection with the listing of its shares on the Stock Exchange, Praise Marble Limited, the wholly owned subsidiary of the Company, had declared to its then equity owner of HK$30,000,000 for the six months ended 30 June 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 interim dividend proposed during the six months ended 30 June 2018 and 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:

	Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company	3,354	12,414
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	1,400,000	1,150,000

The calculation of the basic earnings per share for the six months ended 30 June 2018 is based on the profit for the period attributable to equity holders of the Company of HK$3,354,000 (2017: HK$12,414,000) and the weighted average number of ordinary shares of 1,400,000,000 in issue during the period (2017: 1,150,000,000 in issue during the period, as if the reorganisation and capitalisation issue as detailed in the Company's annual financial statements for the year ended 31 December 2017 had been effective since 1 January 2017).

There were no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017 and therefore, diluted earnings per share equals to basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	**Motor vehicles**	**Furniture and fixtures**	**Leasehold Improvement**	**Computer and software**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2018	2,005	11,509	2,732	1,930	1,656	19,832
Additions	197	–	215	790	1	1,203
Disposals	(6)	(1,160)	(463)	(971)	(481)	(3,081)
At 30 June 2018 (unaudited)	**2,196**	**10,349**	**2,484**	**1,749**	**1,176**	**17,954**
Accumulated depreciation						
At 1 January 2018	(952)	(6,023)	(1,652)	(1,350)	(1,250)	(11,227)
Charge for the period	(197)	(866)	(178)	(244)	(85)	(1,570)
Depreciation written back upon disposals	6	968	372	946	481	2,773
At 30 June 2018 (unaudited)	**(1,143)**	**(5,921)**	**(1,458)**	**(648)**	**(854)**	**(10,024)**
Net book value						
At 30 June 2018 (unaudited)	**1,053**	**4,428**	**1,026**	**1,101**	**322**	**7,930**
At 31 December 2017 (audited)	1,053	5,486	1,080	580	406	8,605

As at 30 June 2018, the Group's motor vehicles of HK$950,000 (31 December 2017: HK$1,061,000) are held under finance lease (note 19).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Unlisted securities Unit Trust Fund	1,243	1,281

The fair value of the Group's financial assets at fair value through other comprehensive income/ available-for-sale financial assets has been measured as described in note 24.

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	5,440	13,928
Retention receivables	16,910	16,663
Other receivables and prepayment	29,073	18,853
Prepayments for property, plant and equipment (note)	6,120	6,797
Utility and other deposits	1,692	1,596
	59,235	57,837

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.

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

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of the management of the Group, the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix is negligible at 30 June 2018.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. No additional credit loss allowance is recognised on these debtors for the current interim period.

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

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	4,470	8,756
31-60 days	409	3,184
61 – 90 days	–	1,137
Over 90 days	561	851
	5,440	13,928

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.

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Due within one year	7,423	8,731
Due after one year	9,487	7,932
	16,910	16,663

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 30 June 2018 (31 December 2017: Nil).

15. CONTRACT ASSETS/CONTACT LIABILITIES/AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	As at 30 June 2018 *HK$'000* (unaudited)	**As at 31 December 2017** *HK$'000* (audited)
Contract costs incurred plus recognised profits less recognised losses	653,671	902,328
Less: progress billings	(609,230)	(853,633)
Contract work-in-progress	44,441	48,695
Analysed for reporting purposes as:		
Amounts due from customers on construction contracts	–	49,945
Amounts due to customers on construction contracts	–	(1,250)
Contract assets	48,621	–
Contract liabilities	(4,180)	–
	44,441	48,695

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

16. CASH AND BANK BALANCES

	As at 30 June 2018 *HK$'000* (unaudited)	**As at 31 December 2017** *HK$'000* (audited)
Cash at bank	107,785	109,318
Cash on hand	49	68
	107,834	109,386

Note:

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

17. TRADE AND OTHER PAYABLES

	As at 30 June 2018 *HK$'000* (unaudited)	**As at 31 December 2017** *HK$'000* (audited)
Trade payables *(note (a))*	8,468	11,536
Retention payables *(note (b))*	10,986	10,143
Accruals and other payables	4,243	8,609
	23,697	30,288

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

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	4,131	7,267
31-60 days	2,130	2,643
61-90 days	313	545
Over 90 days	1,894	1,081
	8,468	11,536

18. BORROWINGS, SECURED

At 30 June 2018, the bank loans were repayable as follows:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Bank loans repayable within one year *(note (a))*	6,667	10,000
	6,667	10,000

Notes:

(a) At 30 June 2018, the bank loans are interest-bearing at 3.85% (31 December 2017: 3.16%) per annum.

At 30 June 2018, the bank loan to the extent of HK$6,667,000 (31 December 2017: HK$10,000,000) granted to the Group was secured by a corporate guarantee given by the Company and the Group's financial assets at fair value through other comprehensive income.

(b) At 30 June 2018, the Group has unused banking facilities of approximately HK$44,000,000 (31 December 2017: HK$22,000,000). The unused banking facilities were secured by corporate guarantee given by the Company and the Group's financial assets at fair value through other comprehensive income.

19. OBLIGATION UNDER FINANCE LEASES

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

	As at 30 June 2018 *HK$'000* (unaudited)	As at 31 December 2017 *HK$'000* (audited)
Total minimum lease payments:		
Within one year	1,097	527
After one year but within two years	508	443
	1,605	970
Future finance charges	(56)	(47)
Present value of lease obligation	1,549	923
Present value of minimum lease payment:		
Within one year	1,048	490
After one year but within two years	501	433
	1,549	923
Less: Portion due within one year included under current liabilities	(1,048)	(490)
Portion due after one year included under non-current liabilities	501	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 six months ended 30 June 2018 (for the year ended 31 December 2017: 4.27% to 4.29%).

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.

As at 30 June 2018, finance lease of HK$868,000 are entered for acquisition of four motor vehicles held by the Group in trust but used by and belong to subcontractors.

20. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
As at 30 June 2018 and 31 December 2017	4,000,000,000	40,000
Issued and fully paid:		
As at 30 June 2018 and 31 December 2017	1,400,000,000	14,000

21. 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:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within one year	1,422	918
In the second to fifth years inclusive	677	773
	2,099	1,691

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 (31 December 2017: one to two year). The leases do not include contingent rentals.

22. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the six months ended 30 June 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Salaries, fee and allowances	2,286	2,321
Discretionary bonuses	401	–
Retirement benefit scheme contributions	46	52
	2,733	2,373

23. CONTINGENT LIABILITIES

At 30 June 2018 and 31 December 2017, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. The directors are of the opinion that the claims and litigations are not expected to have a material impact on the condensed consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the condensed consolidated financial statements.

24. FAIR VALUE MEASUREMENT

Financial assets and liabilities measured at fair value in the condensed 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.

2018	**Fair value at 30 June**	**Fair value measurement using Level 2**
	HK$'000	*HK$'000*
Recurring fair value measurement		
Financial assets		
Financial assets at fair value through other comprehensive income:		
– Unlisted unit trust fund	1,243	1,243

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

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 Level 2 are unchanged compared to the previous reporting periods and are described below: 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 unit trust fund is recognised in other comprehensive income and included under "Financial assets fair value reserve" (2017: "Available-for-sale financial assets revaluation reserve").

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017

Set out below is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2017 extracted from the annual report of the Company for the year ended 31 December 2017.

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			
Direct costs	*5*	275,813	344,766
		(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 attributable to owners of the Company		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 attributable to owners of the Company		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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital	Share Premium*	Capital Reserve*	Available-for-sale financial assets revaluation reserve*	Retained earnings*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 25)	*(Note 26)*	*(Note 26)*	*(Note 26)*		
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.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Cash flow from operating activities	14,337	26,505
Profit before income tax		
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

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.

2.2 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.

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.

2.4 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	$33\frac{1}{3}$% 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.

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.

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.

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.

2.6 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".

2.8 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.

2.10 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.

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.

2.13 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.

2.15 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.

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.

2.18 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.

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.

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.

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.

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.

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	**2016**
	HK$'000	*HK$'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.

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

6. OTHER INCOME

	2017	**2016**
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	**2016**
	HK$'000	*HK$'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	**2016**
	HK$'000	*HK$'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	**2016**
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 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

	Fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016					
Mr. Yau *(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.

(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	2016
	HK$'000	*HK$'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	Motor vehicles	Furniture and fixtures	Leasehold Improvement	Computer and software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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).

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

	2017	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	**2016**
	HK$'000	*HK$'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	**2016**
	HK$'000	*HK$'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	**2016**
	HK$'000	*HK$'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

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	2016
	HK$'000	*HK$'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	**2016**
	HK$'000	*HK$'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	**2016**
	HK$'000	*HK$'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**	**2016**
		HK$'000	*HK$'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)

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

(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	Finance lease liabilities	Total
	HK$'000	*HK$'000*	*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	2016
	HK$'000	*HK$'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)

32.2 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.

32.5 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	**Over 1 year but within 5 years**	**Total undiscounted Cash flow**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	**Over 1 year but within 5 years**	**Total undiscounted Cash flow**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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)

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

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.

The gearing ratio at each reporting date:

	2017	2016
	HK$'000	*HK$'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%

4. INDEBTEDNESS

As at 31 October 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had current secured bank borrowings of approximately HK$4.4 million and unutilised unrestricted banking facilities of approximately HK$43.5 million in total.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any other bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities at the close of business on 31 October 2018.

5. MATERIAL CHANGE

The Directors confirm that save for the following matters, there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2017, being the date to which the latest audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

The Company issued a profit warning announcement in respect of its interim results for the six months ended 30 June 2018 on 7 August 2018. On 31 August 2018, the Company issued an interim results announcement for the six months ended 30 June 2018. According to such announcement, the Group recorded a decrease of net profit of approximately 73% for the six months ended 30 June 2018 as compared to the same period last year. According to such announcement, decreases in the Group's net profit and net profit margin for the six months ended 30 June 2018 were mainly due to the decreases in revenue and gross profit margin. The decrease in revenue was mainly due to (i) the completion of certain major slope works projects in the second half of 2017 or under the six months ended 30 June 2018, and (ii) net off with revenue increase in the projects awarded in 2017, which have achieved significant progress in the six months ended 30 June 2018. The decrease in the gross profit margin was mainly due to (i) the increase in overall construction costs and (ii) the keen competition in the market for new projects. In order to maintain competitiveness in the slope works industry in Hong Kong, the Group has adjusted its pricing strategy, which in term affects the gross profit margin for the six months ended 30 June 2018.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorised		*HK$*
4,000,000,000	Shares	40,000,000
Issued and fully paid:		
1,400,000,000	Shares	14,000,000

All of the existing issued Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting. The Shares are listed and traded on the Stock Exchange. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company.

The Company has not issued any Shares since 31 December 2017, the date to which the latest audited financial statements of the Company were made up.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price**
	HK$
31 May 2018	0.380
29 June 2018	0.340
31 July 2018	0.465
31 August 2018	0.440
28 September 2018	0.445
31 October 2018	0.520
22 November 2018 (being the Last Trading Day)	0.435
30 November 2018	0.530
18 December 2018 (being the Latest Practicable Date)	0.550

During the Relevant Period, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange were HK$0.700 per Share on 5 November 2018 and HK$0.325 per Share on 4 and 12 July 2018, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors and the chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have 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) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

(b) Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities who had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name	**Capacity/Nature**	**Total number of Shares and/or underlying Shares interested** *(Note 1)*	**Approximate % in the issued share capital of the Company** *(Note 2)*
Offeror *(Note 3)*	Beneficial owner	737,000,000 (L)	52.64%
Mr. Chen *(Note 3)*	Interests in controlled corporation	737,000,000 (L)	52.64%

Notes:

1. The letter "L" denotes the individual's or corporation's long position in Shares.

2. The percentages have been calculated based on 1,400,000,000 Shares in issue as at the Latest Practicable Date.

3. As at the Latest Practicable Date, the Offeror is interested in 737,000,000 Shares. The Offeror is wholly-owned by Mr. Chen. Mr. Chen is deemed to be interested in the Shares in which the Offeror is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES

(a) During the Relevant Period and up to the Latest Practicable Date,

(i) save for (i) the disposal of an aggregate of 313,000,000 Shares by Vendor 1 at HK$0.32 per Share on 13 July 2018; and (ii) the sale of the Sale Shares under the Share Purchase Agreement by the Vendors, none of the Directors had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

(ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares of the Offeror;

(b) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were owned or controlled or dealt with by a subsidiary of the Company or by a pension fund of members of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) during the Offer Period and up to the Latest Practicable Date;

(c) save for the Share Purchase Agreement, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Offer Period and up to the Latest Practicable Date;

(d) none of the Company nor any Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

(e) none of the Directors beneficially own any Shares and accordingly none of them is entitled to the Offer; and

(f) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

(a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(b) save for the Share Purchase Agreement, there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(c) save for the Share Purchase Agreement, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

7. SERVICE CONTRACTS OF DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which: (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of director	Term of contract	Remuneration
Mr. Yau Kin Wing Sino	Fixed term of 3 years from the listing date *(12 October 2017 to 11 October 2020)*	HK$106,600 per month
Mr. Kung Ho Man	Fixed term of 3 years from the listing date *(12 October 2017 to 11 October 2020)*	HK$89,670 per month
Ms. Tang Ka Wa Danise	Fixed term of 3 years from the listing date *(12 October 2017 to 11 October 2020)*	HK$59,120 per month
Mr. Wei Qianjiang	Fixed term of 1 year from 24 August 2018 *(24 August 2018 to 23 August 2019)*	HK$15,000 per month

There is no variable remuneration payable under each of the contracts as mentioned above.

8. MATERIAL CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, the members of the Group had not entered into any material contracts (being a contract not entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) after the date two years before the commencement of the Offer Period, which are or may be material:

(a) a sale and purchase agreement dated 15 September 2017 entered into between Vendor 1, Vendor 2 and the Company, pursuant to which the Company agreed to acquire 196 shares and four shares of Praise Marble Limited from Vendor 1 and

Vendor 2 respectively, and the consideration for acquisition was satisfied by the Company credited as fully paid at par the (i) 98 nil-paid Shares held by Vendor 1 (including one nil-paid subscriber Share) and (ii) two nil-paid Shares held by the Vendor 2;

(b) an instrument of transfer dated 15 September 2017 entered into between Vendor 1 and the Company for the transfer of 196 shares of Praise Marble Limited as referred to item (a) above;

(c) an instrument of transfer dated 15 September 2017 entered into between Vendor 2 and the Company for the transfer of four shares of Praise Marble Limited as referred to item (a) above;

(d) the deed of non-competition dated 21 September 2017 entered into by Vendor 1, Vendor 2, the Guarantor, Mr. Cheung Ting Kam, Mr. Kung Ho Man and Ms. Tang Ka Wa Danise as covenantors in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries), further details of which are disclosed in the prospectus of the Company dated 28 September 2017;

(e) the deed of indemnity dated 21 September 2017 and signed by Vendor 1, Vendor 2, the Guarantor, Mr. Cheung Ting Kam, Mr. Kung Ho Man and Ms. Tang Ka Wa Danise in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries), further details of which are disclosed in the prospectus of the Company dated 28 September 2017;

(f) the underwriting agreement dated 27 September 2017 and entered into, amongst others, the Company, Vendor 1, Vendor 2, the Guarantor, Mr. Cheung Ting Kam, Mr. Kung Ho Man, Ms. Tang Ka Wa Danise, RHB Capital Hong Kong Limited, RHB Securities Hong Kong Limited and Sorrento Securities Limited, relating to the issue and offer of the public offer shares, further details of which are disclosed in the prospectus of the Company dated 28 September 2017; and

(g) the underwriting agreement dated 4 October 2017 and entered into, amongst others, the Company, Vendor 1, Vendor 2, the Guarantor, Mr. Cheung Ting Kam, Mr. Kung Ho Man, Ms. Tang Ka Wa Danise, RHB Capital Hong Kong Limited, RHB Securities Hong Kong Limited and Sorrento Securities Limited, relating to the issue and offer, and sale of the placing shares (including the sale shares), further details of which are disclosed in the prospectus of the Company dated 28 September 2017.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

10. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts who have given its letter or advice which is contained in this Composite Document:

Name	Qualification
Shinco Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser to the Independent Board Committee in respect of the Offer
Grande Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Company

Each of Shinco Capital Limited and Grande Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter or advice and references to its name included herein in the form and context in which they respectively appear.

11. GENERAL

(a) The registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

(b) The principal place of business in Hong Kong of the Company is Units 05-08, 11/F Delta House 3 On Yiu Street Shek Mun New Territories Hong Kong.

(c) As at the Latest Practicable Date, the Board comprises Mr. Yau Kin Wing Sino, Mr. Kung Ho Man and Ms. Tang Ka Wa Danise as executive Directors, and Mr. Fung Chi Kin, Mr. Cheung Wai Lun Jacky, Mr. Chow Chun To and Mr. Wei Qianjiang as independent non-executive Directors.

(d) The company secretary of the Company is Mr. Ip Ying Hang, who is a member of Hong Kong Institute of Certified Public Accountants.

(e) The Hong Kong branch share registrar of the Company is Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

(f) The registered office of Shinco Capital Limited, the Independent Financial Adviser, is at Room 1106, 11/F, Office Plus@Sheung Wan, No.93-103, Wing Lok Street, Sheung Wan, Hong Kong.

(g) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Units 05-08, 11/F Delta House 3 On Yiu Street Shek Mun New Territories Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (https://www.geotech.hk) during the period from the date of this Composite Document onwards for as long as the Offer remains open for acceptance:

(a) the amended and restated memorandum of association and articles of association of the Company;

(b) the prospectus of the Company dated 28 September 2017;

(c) the annual report of the Company for the year ended 31 December 2017;

(d) the interim report of the Company for the six months ended 30 June 2018;

(e) the letter from the Board, the text of which is set out on pages 15 to 19 of this Composite Document;

(f) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this Composite Document;

(g) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 42 of this Composite Document;

(h) the service contracts referred to in the paragraph headed “Service Contracts of Directors” in this Appendix;

(i) the material contracts referred to in paragraph headed “Material Contracts” in this Appendix; and

(j) the letters of consent referred to in the paragraph headed “Qualification and Consent of Expert” in this Appendix.

1. RESPONSIBILITY STATEMENTS

Mr. Chen, the ultimate beneficial owner and sole director of the Offeror, accepts full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Group and the Vendors) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DEALINGS AND INTERESTS IN SECURITIES OF THE COMPANY

Save for the Sale Shares, none of the Offeror, its sole director, or parties acting in concert with it has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

As at the Latest Practicable Date, the Offeror and the parties acting in concert with it are interested in 737,000,000 Shares, representing approximately 52.64% of the total number of issued shares of the Company as at the Latest Practicable Date. Save as disclosed above, the Offeror confirms that, as at the Latest Practicable Date:

(a) save for the Sale Shares, none of the Offeror nor any parties acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;

(b) none of the Offeror nor any parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities in the 6 months prior to the date of the announcement in relation to the MOU entered into among the Offeror and the Vendors, in connection with the proposed Acquisition;

(c) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;

(d) save for the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror or any parties acting in concert with it, is a party which relates to circumstances in which the Offeror may or may not seek to invoke a pre-condition or a condition to the Offer;

(e) none of the Offeror nor any parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(f) none of the Offeror nor any parties acting in concert with it has received any irrevocable commitment to accept the Offer; and

(g) there is no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, nor any parties acting in concert with it.

There is no special deal (as defined under Rule 25 of the Takeovers Code) between each of the Vendors and parties acting in concert with any of them on one hand, and the Offeror and parties acting concert with it on the other hand.

3. EXPERTS AND CONSENTS

In addition to those listed in paragraph "Qualification and consent of expert" of Appendix III to this Composite Document, the following is the qualification of the experts who have given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
RaffAello Securities	a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
RaffAello Capital	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with inclusion of its opinions or advice and the references to its name included herein in the form and context in which it appears.

4. MISCELLANEOUS

a) The Offeror, Star Merit Global Limited, is an investment holding company incorporated in BVI with limited liability, which is wholly, ultimately beneficially owned by Mr. Chen, who is also the sole director of the Offeror as at the Latest Practicable Date. The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror is at Room 2002, 20/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

b) The registered office of RaffAello Securities and RaffAello Capital is at Unit 1701, 17/F. Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong.

c) The English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

5. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents set forth in paragraph "Documents available for inspection" of Appendix III to this Composite Document, copies of the following documents are available for inspection on the website of the SFC at www.sfc.hk, and the Company's website at https://www.geotech.hk during the period from the date of this Composite Document up to and including the Closing Date:

a) the memorandum and articles of association of the Offeror;

b) the letter from RaffAello Securities, the text of which is set out on pages 7 to 14 of this Composite Document; and

c) the written consent(s) from each of the parties referred to in the section headed "3. Experts and Consents" in this appendix.