

G & M Holdings Limited 信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6038



SHARE OFFER

Sponsor

MESSIS  大有融資

Joint Bookrunners



雅利多證券
ARISTO SECURITIES LIMITED

 南華金融集團
South China Financial

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

G & M Holdings Limited

信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	:	250,000,000 Shares
Number of Placing Shares	:	225,000,000 Shares (subject to re-allocation)
Number of Public Offer Shares	:	25,000,000 Shares (subject to re-allocation)
Offer Price	:	Not more than HK\$0.42 per Offer Share and not less than HK\$0.40 per Offer Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	6038

Sponsor

MESSIS  **大有融資**

Joint Bookrunners



雅利多證券
ARISTO SECURITIES LIMITED



南華金融集團
South China Financial

Co-Managers



中佳證券
Zhong Jia Securities



瑞邦證券
— RUIBANG —



Opus Capital Limited
創富融資有限公司

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed “Documents delivered to the Registrar of Companies and available for inspection — Documents delivered to the Registrar of Companies in Hong Kong” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 5 June 2017, and in any event no later than Friday, 9 June 2017. The Offer Price will be not more than HK\$0.42 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced. If for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Friday, 9 June 2017, the Share Offer (including the Public Offer) will not proceed and will lapse.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the Company’s consent, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Share Offer. In such a case, please refer to the arrangements set out in the sections headed “Structure and conditions of the Share Offer” and “How to apply for Public Offer Shares” in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section headed “Risk factors” in this prospectus. Pursuant to the Underwriting Agreements, the Joint Bookrunners (for themselves and on behalf of the Underwriters) has the right in certain circumstances to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

25 May 2017

EXPECTED TIMETABLE

The Company will issue an announcement to be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.gm-eng.com.hk if there is any change in the following expected timetable of the Public Offer:

Date⁽¹⁾

2017

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ^{(2), (3), (4)}	11:30 a.m. on Wednesday, 31 May
Application lists open ⁽²⁾	11:45 a.m. on Wednesday, 31 May
Latest time for lodging WHITE, YELLOW and GREEN Application Forms and giving electronic application instructions to HKSCC ^{(3), (5)}	12:00 noon on Wednesday, 31 May
Latest time for completing payment of HK eIPO White Form applications by effecting internet banking transfers or PPS payment transfer(s)	12:00 noon on Wednesday, 31 May
Application lists close ⁽²⁾	12:00 noon on Wednesday, 31 May
Expected Price Determination Date ⁽⁶⁾	Monday, 5 June
Announcement of the Offer Price and the indication of the level of interest under the Placing, the level of applications under the Public Offer and the basis of allotment of the Public Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.gm-eng.com.hk on or before	Monday, 12 June
Results of allocations in the Public Offer (with successful applications' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — 11. Publication of results" in this prospectus from	Monday, 12 June
Results of allocations in the Public Offer to be available at www.tricor.com.hk/ipo/result with a "search by ID" function from	Monday, 12 June

EXPECTED TIMETABLE

Despatch/collection of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications under the Public Offer on or before ⁽⁷⁾ Monday, 12 June

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before ⁽⁷⁾ Monday, 12 June

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Tuesday, 13 June

Notes:

- (1) All times refer to Hong Kong local time and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 31 May 2017, the application lists will not open on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
- (3) Applicants will not be permitted to submit applications through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted applications and obtained a payment reference number from the designated website prior to 11:30 a.m., they will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) Applicants who apply for Public Offer Shares through the **HK eIPO White Form** service should refer to section headed “How to apply for Public Offer Shares” in this prospectus.
- (5) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (6) The Price Determination Date is expected to be on or around Monday, 5 June 2017, and in any event no later than Friday, 9 June 2017. If for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Friday, 9 June 2017, the Share Offer (including the Public Offer) will not proceed and will lapse.

EXPECTED TIMETABLE

- (7) Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 12 June 2017. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for the applicants who apply on **WHITE** Application Forms.

- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "Refund of your money" in the relevant Application Forms.

Share certificates for the Offer Shares will become valid certificates of title only at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised in accordance with their respective terms.

For details of the structure of the Share Offer, including its conditions, you should refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction (other than Hong Kong) or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company, the Sponsor, the Joint Bookrunners and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Joint Bookrunners, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer. The contents on the Company's website www.gm-eng.com.hk do not form part of this prospectus.

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	16
GLOSSARY OF TECHNICAL TERMS	25
FORWARD-LOOKING STATEMENTS	26
RISK FACTORS	27
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	41
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	45
CORPORATE INFORMATION	50
INDUSTRY OVERVIEW	53
REGULATORY OVERVIEW	65
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	87

CONTENTS

	<i>Page</i>
BUSINESS	98
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS	168
DIRECTORS AND SENIOR MANAGEMENT	175
SUBSTANTIAL SHAREHOLDERS	186
SHARE CAPITAL	188
FINANCIAL INFORMATION	192
FUTURE PLANS AND USE OF PROCEEDS	241
UNDERWRITING	248
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	256
HOW TO APPLY FOR PUBLIC OFFER SHARES	264
APPENDIX I — ACCOUNTANT’S REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

The Group is a subcontractor that focuses on providing podium facade and curtain wall works in Hong Kong with a history of over 20 years. The services provided by the Group mainly include one-stop design and build solutions in relation to podium facade and curtain wall works. To a lesser extent, the Group also provides repair and maintenance services. During the Track Record Period, the Group generally undertook design and build projects as a subcontractor and all of the Group’s revenue was derived from Hong Kong. The Group’s customer types generally include main contractor, property developer, commercial enterprise and public body.

For each of the three years ended 31 December 2016, the Group’s revenue was mainly derived from design and build projects while the remaining was generated from repair and maintenance works. The following table sets forth a breakdown of the Group’s revenue during the Track Record Period by types of services:

	Year ended 31 December					
	2014		2015		2016	
	HK\$’000	%	HK\$’000	%	HK\$’000	%
Design and build projects						
- Podium facade and related works	121,332	80.2	195,998	89.6	242,306	88.5
- Curtain wall works	<u>16,252</u>	<u>10.7</u>	<u>13,998</u>	<u>6.4</u>	<u>24,749</u>	<u>9.0</u>
Sub-total	137,584	90.9	209,996	96.0	267,055	97.5
Repair and maintenance services	<u>13,720</u>	<u>9.1</u>	<u>8,824</u>	<u>4.0</u>	<u>6,857</u>	<u>2.5</u>
Total	<u>151,304</u>	<u>100.0</u>	<u>218,820</u>	<u>100.0</u>	<u>273,912</u>	<u>100.0</u>

SUMMARY

The following table sets forth a breakdown of the Group's revenue during the Track Record Period attributable to private and public sectors:

	Year ended 31 December					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	114,445	75.6	211,873	96.8	270,498	98.8
Public sector	<u>36,859</u>	<u>24.4</u>	<u>6,947</u>	<u>3.2</u>	<u>3,414</u>	<u>1.2</u>
Total	<u>151,304</u>	<u>100.0</u>	<u>218,820</u>	<u>100.0</u>	<u>273,912</u>	<u>100.0</u>

One-stop design and build solution services

The Group provides one-stop design and build solutions for podium facade and curtain wall. Services involved in a typical design and build project include developing facade or curtain wall system design, structural calculation and shop drawings, sourcing and procurement of materials, arrangement for material fabrication and processing, installation works and post-completion maintenance services for the relevant works performed by the Group and/or its subcontractors within the defects liability period and the warranty period. The Group is also responsible for the overall project management. Design and build projects undertaken by the Group during the Track Record Period can be broadly divided into two categories, namely (i) podium facade and related works; and (ii) curtain wall works. For further details of the major steps involved in a typical design and build project, please refer to the section headed "Business — Operating procedures — Design and build projects" in this prospectus.

Repair and maintenance services

The Group also provides repair and maintenance services for podium facade and curtain wall in Hong Kong. Such repair and maintenance services cover (i) one-off repair and maintenance services; and (ii) inspection and consultancy services. For further details of the Group's one-off repair and maintenance services, please refer to the section headed "Business — Operating procedures — One-off repair and maintenance services" in this prospectus.

SUMMARY

DESIGN AND BUILD PROJECTS OF THE GROUP

The following table sets forth a summary of the number of design and build projects awarded to the Group and completed by the Group during the Track Record Period:

	Year ended 31 December			Total
	2014	2015	2016	
Number of design and build projects awarded				
- Podium facade and related works	6	6	9	21
- Curtain wall works	<u>1</u>	<u>1</u>	<u>—</u>	<u>2</u>
Total	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>9</u></u>	<u><u>23</u></u>
Number of design and build projects completed				
- Podium facade and related works	3	5	9	17
- Curtain wall works	<u>1</u>	<u>2</u>	<u>—</u>	<u>3</u>
Total	<u><u>4</u></u>	<u><u>7</u></u>	<u><u>9</u></u>	<u><u>20</u></u>

The following table sets forth the details of the Group's tender success rate during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Design and build projects			
Number of tenders submitted	31	39	31
Number of projects awarded	7	7	9
Tender success rate (%)	22.6	17.9	29.0
One-off repair and maintenance works orders			
Number of tenders or quotations submitted	121	192	166
Number of works orders received	55	86	68
Tender success rate (%)	45.5	44.8	41.0

SUMMARY

In respect of design and build projects, the Group adopts a pro-active approach in the tender strategy. The Directors believe that the Group generally submits tenders in response to most invitations to tenders from potential customers in order to maintain customers' relationship, increase its presence in the market and to bring opportunities for securing new customers and projects. Due to such tender strategy, the Group adopts a more conservative approach on pricing tenders after considering the then available resources, thereby leading to lower tender success rates as well as fluctuations in the overall tender success rates from period to period.

In respect of one-off repair and maintenance works orders, the Group generally receives invitations to submit tenders or provide quotations from its recurrent customers. The Directors believe that the relatively high tender success rates for one-off repair and maintenance works orders was mainly due to the competitiveness in pricing in the Group's tender submissions and the customers' satisfaction on the Group's previous performance.

The following table sets forth a summary of the Group's design and build projects on hand as at the dates indicated:

	As at 31 December		
	2014	2015	2016
Number of design and build projects on hand	11	11	11
Value of design and build projects on hand (HK\$ million)	350.5	282.4	435.4

For further details regarding the movement of the Group's design and build projects, please refer to the section headed "Business — Design and build projects of the Group" in this prospectus.

CUSTOMERS

The Group's customer types generally include main contractor, property developer, commercial enterprise and public body. During the Track Record Period, the business relationship between the Group and its five largest customers ranged from approximately one year to 16 years. During the Track Record Period, all of the Group's major customers were located in Hong Kong and all of the Group's revenue was denominated in Hong Kong dollars.

For each of the three years ended 31 December 2016, the percentage of the Group's total revenue attributable to the Group's largest customer amounted to approximately 52.4%, 85.7% and 64.7%, respectively, while the percentage of the Group's total revenue attributable to the Group's five largest customers, in aggregate, amounted to approximately 91.2%, 96.1% and 96.9%, respectively. For further details, please refer to the section headed "Business — Customers" in this prospectus.

SUMMARY

SUPPLIERS

The Group's suppliers generally include suppliers for (i) building materials to be consumed in its design and build projects, such as aluminium, metal and glass; (ii) material fabrication or processing services; and (iii) machines and equipment leasing services. During the Track Record Period, all of the Group's major suppliers were either located in Hong Kong or the PRC.

For each of the three years ended 31 December 2016, the percentage of the Group's total purchases attributable to the Group's largest supplier amounted to approximately 32.6%, 44.0% and 29.0%, respectively, while the percentage of the Group's total purchases attributable to the Group's five largest suppliers, in aggregate, amounted to approximately 66.6%, 63.9% and 60.6%, respectively. For further details, please refer to the section headed "Business — Suppliers" in this prospectus.

SUBCONTRACTORS

Both of the Group's design and build projects and one-off repair and maintenance work orders require labour intensive installation works. As the Group does not employ any direct labour, the Group subcontracts all the installation works to external subcontractors. During the Track Record Period, all of the Group's major subcontractors were located in Hong Kong.

For each of the three years ended 31 December 2016, the percentage of the Group's total subcontracting charges attributable to the Group's largest subcontractor amounted to approximately 24.5%, 24.6% and 23.7%, respectively, while the percentage of the Group's total subcontracting charges attributable to the Group's five largest subcontractors, in aggregate, amounted to approximately 58.2%, 72.1% and 64.4%, respectively. For further details, please refer to the section headed "Business — Subcontractors" in this prospectus.

MAJOR QUALIFICATION AND CERTIFICATIONS

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the Group has obtained all material licences, permits and registration required for carrying on its business operations in Hong Kong. G & M Engineering is (i) a Registered Minor Works Contractors (Class I, II and III) with the Buildings Department; and (ii) a Registered Subcontractor with the Construction Industry Council, while G & M Maintenance is a Registered Subcontractor with the Construction Industry Council. Being registered on the Subcontractor Registration Scheme at the Construction Industry Council is required for subcontractors to participate in public projects commissioned by certain Government authorities and statutory bodies, such as the Development Bureau and Hong Kong Housing Authority.

SUMMARY

For any works where any member of the Group is involved as a subcontractor, if there is a registered general building contractor and/or specialist contractor under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) to supervise the works and liaise with the Buildings Department, the relevant member of the Group is not required to hold such licence or registration or to obtain any requisite licences, permits and approval for its operation and business except the business registration. For further details, please refer to the section headed “Business — Licences and permits” in this prospectus.

COMPETITIVE STRENGTHS

The Directors consider that there are several competitive strengths that drive the Group’s growth in revenue and distinguish the Group from its competitors, which comprise (i) well-established reputation with solid track record in the podium facade and curtain wall works industry in Hong Kong; (ii) long-term business relationships with some of the Group’s major customers; (iii) stable business relationships with the Group’s suppliers and subcontractors; (iv) experienced project management team and key personnel; and (v) one-stop design and build solution services provide for podium facade and curtain wall. For further details, please refer to the section headed “Business — Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

The Group aims to expand its scale of operation and further strengthen its market position and overall competitiveness in the podium facade and curtain wall works industry in Hong Kong. The Directors intend to achieve the Group’s future expansion plans by (i) further expanding the Group’s capacity to undertake more design and build projects; (ii) further strengthening the Group’s capital base for the issue of surety bonds; (iii) further expanding the Group’s manpower for project execution and strengthening the skills of staff; and (iv) further enhancing the Group’s operational efficiency and technical capability by acquiring additional machinery and equipment. For further details, please refer to the section headed “Business — Business strategies” in this prospectus.

RISK FACTORS

There are certain risks involved in the Group’s business operations, many of which are beyond the Group’s control. Any of the factors set out in the section headed “Risk factors” in this prospectus may limit the Group’s ability to execute its strategies successfully. The Directors believe that the following are some major risks that may have a material adverse impact on the Group, namely (i) revenue derived from the Group’s five largest customers accounted for a substantial portion of the Group’s revenue, inability to retain business relationship with them or secure new business may affect the Group’s operations and financial performance; (ii) changes to the supply and cost of building materials may adversely affect the Group’s operations and profitability; (iii) changes to the supply and cost of staff may adversely affect the Group’s operations and profitability; (iv) the Group’s contracts are non-recurring in nature, failure to obtain continuity of the order book for new projects could

SUMMARY

materially affect the Group's sustainability and financial performance; and (v) failure to acquire adequate capital could delay the execution of new projects and prevent the expansion of the Group's business, which could materially and adversely affect the Group's business, financial performance and results of operations. For further details, please refer to the section headed "Risk factors" in this prospectus.

USE OF PROCEEDS

The Group estimates that the aggregate net proceeds to the Company from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.41, being the mid-point of the Offer Price range, will be approximately HK\$76.5 million. The Directors presently intend to apply (i) approximately HK\$47.5 million or approximately 62.1% of the net proceeds for further expanding the Group's capacity to undertake more design and build projects, including but not limited to the upfront payments for materials and surety bond requirements; (ii) approximately HK\$16.3 million or approximately 21.3% of the net proceeds for further expanding the Group's manpower for project execution and strengthening the skills of staff; (iii) approximately HK\$5.1 million or approximately 6.7% of the net proceeds for further enhancing the Group's operational efficiency and technical capability by acquiring additional machinery and equipment; and (iv) approximately HK\$7.6 million or approximately 9.9% of the net proceeds as general working capital of the Group. In the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price range, the above allocation of the net proceeds from the Share Offer will be adjusted on a pro-rata basis.

During the Track Record Period, the number of design and build projects awarded to the Group with an awarded contract sum of over HK\$100,000,000 increased from nil for each of the two years ended 31 December 2015 to two for the year ended 31 December 2016. Taking into account, amongst others, (i) the Group intends to allocate the relatively less complicated fabrication drawing works to the Shenzhen design office to reduce staff costs; (ii) the current size of Shenzhen design team can merely support the Group's existing business scale of operation, but is not adequate for the Group's expansion plan to undertake more sizeable design and build projects; and (iii) it would be more cost-effective for the Group to recruit a team of draftsmen in the PRC in the long run given the rental costs and staff costs are comparatively lower than that in Hong Kong, the Directors therefore consider that the expansion of the Shenzhen design office will support the Group's business expansion in the long run which justifies the Group's business strategies. For further details, please refer to the section headed "Future plans and use of proceeds — Use of proceeds" in this prospectus.

MARKET AND COMPETITION

According to the Ipsos Report, the revenue of the podium facade and curtain wall works industry in Hong Kong increased from approximately HK\$4,250.9 million in 2011 to approximately HK\$5,101.1 million in 2015, at a CAGR of approximately 4.7%. The growth was attributed to the increasing number of building projects and the rising project fee of podium facade works and curtain

SUMMARY

wall works in Hong Kong. The revenue of the podium facade and curtain wall works industry in Hong Kong is expected to continue its rising trend from approximately HK\$5,254.1 million in 2016 to approximately HK\$6,265.0 million in 2020, at a CAGR of approximately 4.5%. Such growth is mainly driven by the increase of land supply for the public and private residential buildings under the development plan for North East New Territories New Development Areas and conversion of government properties into commercial use. The continuous development of the New Territories is likely to bring business opportunities to the podium facade and curtain wall works industry in Hong Kong.

The curtain wall works industry in Hong Kong is considered mature and consolidated, which has approximately 20 major market players and is dominated by the top five of them. The podium facade works industry in Hong Kong is smaller than the curtain wall works industry with approximately 20 major market players and is dominated by the top five of them. In terms of the revenue of the podium facade works industry in Hong Kong in 2015, the Group ranked second with a market share of approximately 18.0%. For further details, please refer to the section headed “Industry overview” in this prospectus.

CONTROLLING SHAREHOLDERS

On 9 January 2017, Mr. Lee and Mr. Leung entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Group during the Track Record Period and will continue the same as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the section headed “History, Reorganisation and corporate structure — Parties acting in concert” in this prospectus.

Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that no Share is issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), (i) Luxury Booming will be interested in 75% of the issued Shares; and (ii) by virtue of the acting in concert arrangement between Mr. Lee and Mr. Leung which is confirmed and documented in the Concert Parties Confirmatory Deed, Mr. Lee, Mr. Leung and the company wholly owned by them, namely Luxury Booming, will collectively continue to control more than 30% of the issued share capital of the Company upon Listing. Accordingly, they will be a group of Controlling Shareholders within the meaning of the Listing Rules. For further details, please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

The tables below set forth the key financial information of the Group derived from the its combined financial statements set out in the Accountant's Report in Appendix I to this prospectus. The following information should be read in conjunction with the section headed "Financial information" in this prospectus and the combined financial statements and the related notes in the Accountant's Report in Appendix I to this prospectus.

Combined statements of comprehensive income

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	151,304	218,820	273,912
Gross profit	50,393	71,067	90,523
Profit before income tax	37,339	55,863	61,901
Profit for the year	31,265	46,492	50,077
Total comprehensive income for the year	31,124	46,455	50,005
Total comprehensive income for the year attributable to owners of the Company	30,612	46,131	49,980

Revenue of the Group increased by approximately HK\$67.5 million or 44.6% from approximately HK\$151.3 million for the year ended 31 December 2014 to approximately HK\$218.8 million for the year ended 31 December 2015. Such increase was mainly due to (i) seven new projects were awarded and contributed a total of approximately HK\$47.7 million to the Group's revenue for the year ended 31 December 2015; and (ii) the Group derived a higher amount of recognised revenue from a particular project during the year ended 31 December 2015, which was due to the actual works progress under relevant contract. For the year ended 31 December 2016, the Group's revenue further increased to approximately HK\$273.9 million, representing an increase of approximately HK\$55.1 million or 25.2% as compared to that of the year ended 31 December 2015. Such increase was mainly attributable to the Group's efforts in pursuing projects of relatively larger scales and higher income.

SUMMARY

Cost of revenue of the Group primarily comprises (i) material and processing charges; (ii) subcontracting charges; (iii) project staff costs; and (iv) others. For each of the three years ended 31 December 2016, gross profit of the Group amounted to approximately HK\$50.4 million, HK\$71.1 million and HK\$90.5 million, respectively. The following table sets forth a breakdown of the Group's gross profit and gross profit margin during the Track Record Period by types of services:

	Year ended 31 December					
	2014		2015		2016	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Design and build projects						
- Podium facade and related works	42,607	35.1	62,931	32.1	82,015	33.8
- Curtain wall works	<u>4,563</u>	28.1	<u>5,035</u>	36.0	<u>6,097</u>	24.6
Sub-total/overall	47,170	34.3	67,966	32.4	88,112	33.0
Repair and maintenance services	<u>3,223</u>	23.5	<u>3,101</u>	35.1	<u>2,411</u>	35.2
Total/overall	<u>50,393</u>	<u>33.3</u>	<u>71,067</u>	<u>32.5</u>	<u>90,523</u>	<u>33.0</u>

The following table sets forth a breakdown of the Group's gross profit and gross profit margin during the Track Record Period attributable to private and public sectors:

	Year ended 31 December					
	2014		2015		2016	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Private sector	31,329	27.4	67,612	31.9	87,184	32.2
Public sector	<u>19,064</u>	51.7	<u>3,455</u>	49.7	<u>3,339</u>	97.8
Total/overall	<u>50,393</u>	<u>33.3</u>	<u>71,067</u>	<u>32.5</u>	<u>90,523</u>	<u>33.0</u>

SUMMARY

For each of the three years ended 31 December 2016, the Group's gross profit margin amounted to approximately 33.3%, 32.5% and 33.0%, respectively, and remained relatively stable. In respect of the Group's gross profit attributable to private and public sectors, public sector had a higher gross profit margin than the private sector during the Track Record Period. In particular, the Group recorded a gross profit margin of approximately 97.8% in public sector for the year ended 31 December 2016, which was mainly due to a works order in relation to design and build services for podium facade and related works that was placed under a term contract entered into between G & M Engineering and Customer A in April 2011 with a contract period of 36 months, of which (i) the works order was completed in March 2015 and therefore the Group only incurred insignificant costs for remedial works for minor defects, storage and logistic arrangements for the year ended 31 December 2016; and (ii) the inflation adjustment granted by Customer A in accordance with the Building Works Tender Price Index published by the Architectural Services Department, which was only confirmed by Customer A while finalising the final account of the said works order and had no corresponding cost.

For each of the three years ended 31 December 2016, profit of the year of the Group amounted to approximately HK\$31.3 million, HK\$46.5 million and HK\$50.1 million, respectively. For further analysis regarding the comparison of the Group's result of operations, please refer to the section headed "Financial information — Comparison of results of operations" in this prospectus.

Combined statements of financial position

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	3,434	1,762	3,814
Current assets	130,876	166,983	159,841
Total assets	134,310	168,745	163,655
Non-current liabilities	385	178	—
Current liabilities	65,835	82,725	80,708
Total liabilities	66,220	82,903	80,708
Net current assets	65,041	84,258	79,133
Total equity	68,090	85,842	82,947

As at 31 December 2014, 2015 and 2016, the Group had net current assets of approximately HK\$65.0 million, HK\$84.3 million and HK\$79.1 million, respectively. For further details of the Group's financial position, please refer to the section headed "Financial information — Net current assets" in this prospectus.

SUMMARY

Combined statements of cash flows

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	12,583	95,463	5,254
Net cash generated from/(used in) investing activities	3,772	608	(20,636)
Net cash generated from/(used in) financing activities	<u>2,717</u>	<u>(33,086)</u>	<u>(51,239)</u>
Increase/(Decrease) in cash and cash equivalents	19,072	62,985	(66,621)
Cash and cash equivalents at the beginning of the year	<u>33,046</u>	<u>52,118</u>	<u>115,103</u>
Cash and cash equivalents at the end of the year	<u><u>52,118</u></u>	<u><u>115,103</u></u>	<u><u>48,482</u></u>

For each of the three years ended 31 December 2016, the Group recorded net cash generated from operating activities of approximately HK\$12.6 million, HK\$95.5 million and HK\$5.3 million, respectively. For further details in relation to the Group's cash flows during the Track Record Period, please refer to the section headed "Financial information — Liquidity and capital resources — Cash flows" in this prospectus.

Key financial ratios

	Year ended 31 December		
	2014	2015	2016
Return on total assets	23.3%	27.6%	30.6%
Return on equity	45.9%	54.2%	60.4%
Net profit margin	20.7%	21.2%	18.3%
Interest coverage	116.2 times	120.9 times	111.7 times

	As at 31 December		
	2014	2015	2016
Current ratio	2.0	2.0	2.0
Quick ratio	2.0	2.0	2.0
Gearing ratio	17.5%	9.3%	12.3%
Net debt to equity ratio	N/A	N/A	N/A

SUMMARY

For the analysis of the Group's key financial ratios during the Track Record Period and their respective basis of calculation, please refer to the section headed "Financial information — Key financial ratios" in this prospectus.

COMPLIANCE AND LITIGATION

The Directors confirm that the Group has complied with all applicable laws and regulations in all material aspects in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Group was involved in a number of civil claims, litigations and pending or threatened claims. For further details, please refer to the section headed "Business — Litigation and potential claims" in this prospectus.

RECENT DEVELOPMENT

As at 31 March 2017, the Group had 10 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have engagement confirmed but not yet commenced, with an aggregate awarded contract sum of approximately HK\$519.2 million, of which approximately HK\$232.6 million are attributable to six design and build projects of SHK Properties. Up to 31 December 2016, approximately HK\$156.3 million has been recognised from these 10 design and build projects and their aggregate amount of outstanding awarded contract sum as at 31 December 2016 amounted to approximately HK\$362.9 million. For the six design and build projects on hand that are attributable to SHK Properties, approximately HK\$72.4 million has been recognised up to 31 December 2016 and their aggregate amount of outstanding awarded contract sum as at 31 December 2016 amounted to approximately HK\$160.2 million. It is expected that approximately HK\$269.0 million and HK\$79.2 million will be recognised from these 10 design and build projects for the years ending 31 December 2017 and 2018, respectively, of which approximately HK\$127.7 million and HK\$20.1 million will be attributable to SHK Properties. According to the respective latest programme of these 10 design and build projects on hand, 7 of which are expected to be completed during the year ending 31 December 2017 and 3 of which are expected to be completed during the year ending 31 December 2018. For further details, please refer to the section headed "Business — Design and build projects of the Group — Design and build projects on hand as at 31 March 2017" in this prospectus.

Subsequent to the Track Record Period and up to 31 March 2017, the Group had received 18 invitations to tender for design and build projects in relation to podium facade and curtain wall, of which the Group (i) submitted 11 tenders; (ii) declined 2 invitations to tender; and (iii) is in the course of assessing and considering 5 invitations. As at 31 March 2017, there were 10 design and build projects that the Group had yet to receive results after submitting the tenders with an aggregate expected contract sum of approximately HK\$446.2 million.

SUMMARY

LISTING EXPENSES

The Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$26.0 million, of which approximately HK\$9.9 million is directly attributable to the Share Offer and is expected to be accounted for as a deduction from equity upon Listing, and the remaining amount of approximately HK\$16.1 million, which cannot be so deducted, will be charged to the Group's profit or loss. For each of the two years ended 31 December 2016, approximately HK\$1.2 million and HK\$7.4 million of the Listing expenses has been charged to the Group's profit or loss, respectively. Approximately HK\$7.5 million is expected to be incurred for the year ending 31 December 2017.

Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that the Group's financial performance and results of operations for the year ending 31 December 2017 will be affected by the estimated expenses in relation to the Listing.

DIVIDENDS

For the year ended 31 December 2014, a subsidiary of the Company declared an interim dividend of approximately HK\$117,000, of which approximately HK\$29,000 was paid to that subsidiary's shareholder with non-controlling interest. For each of the two years ended 31 December 2016, subsidiaries of the Company declared interim dividend of approximately HK\$28,700,000 and HK\$45,900,000, respectively, to their then shareholders. The Group declared an interim dividend of HK\$20,000,000 on 31 March 2017 to the then shareholders of the Group, which was settled by current accounts with Directors. All of the aforesaid dividends were fully settled by the Group. The Group currently does not have a fixed dividend policy. For further details, please refer to the section headed "Financial information — Dividends" in this prospectus.

OFFER STATISTICS

The following table sets forth the statistics based on the assumption that 250,000,000 Offer Shares are issued under the Share Offer:

	Based on the minimum indicative Offer Price of HK\$0.40 per Offer Share	Based on the maximum indicative Offer Price of HK\$0.42 per Offer Share
Market capitalisation of the Company at Listing (<i>Note 1</i>)	HK\$400 million	HK\$420 million
Unaudited pro forma combined net tangible assets of the Group attributable to owners of the Company per Share (<i>Notes 2 & 3</i>)	HK\$0.166	HK\$0.170

SUMMARY

Notes:

1. The calculation of market capitalisation is based on the 1,000,000,000 Shares expected to be in issue immediately upon completion of the Share Offer.
2. The unaudited pro forma combined net tangible assets of the Group attributable to owners of the Company per Share is calculated after the adjustments referred to in the section headed “Unaudited pro forma financial information” set out in Appendix II to this prospectus and on the basis of a total of 1,000,000,000 Shares being in issue at the indicative Offer Price of HK\$0.40 to HK\$0.42 per Share immediately upon completion of the Share Offer.
3. The unaudited pro forma combined net tangible assets of the Group and the unaudited pro forma combined net tangible assets per Share have not taken into account the interim dividends declared subsequent to 31 December 2016.

On 31 March 2017, the directors of a subsidiary declared interim dividend amounting to HK\$20,000,000 to its then shareholders and such dividend was settled by current accounts with Directors. Had the dividend of HK\$20,000,000 been taken into account, the unaudited pro forma combined net tangible assets per Share would have been reduced to HK\$0.146 (assuming an Offer Price of HK\$0.40 per Share) and HK\$0.150 (assuming an Offer Price of HK\$0.42 per Share), respectively.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-sections headed “Recent development” and “Listing expenses” in this section, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2016 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 December 2016 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this prospectus.

DEFINITIONS

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

“Accountant’s Report”	the accountant’s report on the Group as set out in Appendix I to this prospectus
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the articles of association of the Company adopted on 12 May 2017 and with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“business day”	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 749,999,996 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company referred to in the section headed “Statutory and general information — A. Further information about the Company — 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-Managers”	Ruibang Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO, Zhong Jia Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO and Opus Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company”	G & M Holdings Limited (信越控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 29 November 2016
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 9 January 2017, entered into by Mr. Lee and Mr. Leung to acknowledge and confirm, amongst other things, that they were parties acting in concert in respect of each of the members of the Group, details of which are set out in the section headed “History, Reorganisation and corporate structure — Parties acting in concert” in this prospectus
“Confirmatory Deed Regarding G & M Engineering”	the confirmatory deed executed by Ms. Ku on 9 January 2017, pursuant to which Ms. Ku acknowledged and confirmed that she held all those issued shares of G & M Engineering which were registered under her name for and on behalf of Mr. Leung
“Confirmatory Deed Regarding Join Forward”	the confirmatory deed executed by Ms. Ku on 9 January 2017, pursuant to which Ms. Ku acknowledged and confirmed that she held all those issued shares of Join Forward which were registered under her name for and on behalf of Mr. Leung
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, by virtue of the acting in concert arrangement between Mr. Lee and Mr. Leung, which are confirmed and documented in the Concert Parties Confirmatory Deed, means a group of Shareholders consisting of Mr. Lee, Mr. Leung, and the company wholly owned by Mr. Lee and Mr. Leung, namely Luxury Booming
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 12 May 2017 executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of the subsidiaries of the Company from time to time) regarding certain indemnities as more particularly set out in the section headed “Statutory and general information — E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 12 May 2017 executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of the subsidiaries of the Company from time to time) regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with the Controlling Shareholders — Non-compete undertaking” in this prospectus
“Director(s)”	the director(s) of the Company
“First Six-Month Period”	has the meaning ascribed to it in the section headed “Underwriting” in this prospectus
“G & M Contracting”	G & M Contracting Limited (信泓工程有限公司), a company with limited liability incorporated in Hong Kong on 31 October 2013 and an indirect wholly-owned subsidiary of the Company
“G & M Design”	深圳信越設計有限公司, a wholly foreign-owned enterprise established in the PRC on 27 January 2016 and an indirect wholly-owned subsidiary of the Company
“G & M Engineering”	G & M Engineering Company Limited (信越工程有限公司), a company with limited liability incorporated in Hong Kong on 16 November 1993 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“G & M Maintenance”	G & M Curtain Wall Maintenance Services Limited (信越幕牆維修服務有限公司), a company with limited liability incorporated in Hong Kong on 28 April 2010 and an indirect wholly-owned subsidiary of the Company
“ GREEN Application Form(s)”	the form(s) of application to be completed by the HK eIPO White Form Service Provider
“Group”	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries operating the Group’s business
“ HK eIPO White Form ”	the application for Public Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website of HK eIPO White Form Service Provider at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by the Company, as specified on the designated website of HK eIPO White Form at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of the Directors, chief executive or Substantial Shareholders of the Company or the Company, its subsidiaries or any of their respective associates and not otherwise a connected person of the Company
“Ipsos”	Ipsos Limited, an international market research company and an Independent Third Party
“Ipsos Report”	a market research report commissioned by the Group and prepared by Ipsos on the overview of the industries in which the Group operates

DEFINITIONS

“Join Forward”	Join Forward Group Limited (合進集團有限公司), a company with limited liability incorporated in the BVI on 3 November 2015 and a direct wholly-owned subsidiary of the Company
“Joint Bookrunners”	Aristo Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO and South China Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO
“Latest Practicable Date”	15 May 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	listing of the Shares on Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 13 June 2017, on which dealings in the Shares first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Luxury Booming”	Luxury Booming Limited (祥茂有限公司), a company with limited liability incorporated in the BVI on 3 November 2015 and one of the Controlling Shareholders
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operating in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of the Company adopted on 12 May 2017 and with effect from the Listing Date, and as amended from time to time
“Messis Capital” or “Sponsor”	Messis Capital Limited, the sponsor for the Listing and a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Mr. Chan”	Mr. CHAN Wai Yin (陳偉賢), an executive Director

DEFINITIONS

“Mr. Lee”	Mr. LEE Chi Hung (李志雄), an executive Director, chairman of the Board, the chief executive officer of the Company and one of the Controlling Shareholders
“Mr. Leung”	Mr. LEUNG Ping Kwan (梁炳坤), a non-executive Director and one of the Controlling Shareholders
“Ms. Lam”	Ms. LAM Suk Yee Patricia (林淑儀), the spouse of Mr. Lee
“Ms. Ku”	Ms. KU Nga Ping (顧雅萍), the spouse of Mr. Leung
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and conditions of the Share Offer — Pricing and allocation — Determining the Offer Price” in this prospectus
“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Placing”	the conditional placing of the Offer Shares at the Offer Price to selected professional, institutional and other investors as set out in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Share(s)”	the 225,000,000 new Shares initially being offered at the Offer Price for subscription under the Placing subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or before the Price Determination Date by, amongst others, the Company and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“PRC”	the People’s Republic of China which, except where the context requires and for the purpose of this prospectus only, does not include Taiwan, Hong Kong and Macau

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around 5 June 2017 but in any event no later than 9 June 2017, on which the Offer Price is to be fixed
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Share(s)”	the 25,000,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriters of the Public Offer listed in section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 24 May 2017 relating to the Public Offer entered into amongst the Company, the Controlling Shareholders, the executive Directors, the Sponsor, the Joint Bookrunners and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Relevant Jurisdictions”	has the meaning as it is defined in the section headed “Underwriting” in this prospectus
“Relevant Securities”	has the meaning as it is defined in the section headed “Underwriting” in this prospectus
“Reorganisation”	the corporate reorganisation arrangements implemented by the Group in preparation for the Listing which is more particularly described in the section headed “History, Reorganisation and corporate structure” in this prospectus

DEFINITIONS

“Reorganisation Agreement”	the reorganisation agreement dated 12 May 2017 entered into between Mr. Lee, Mr. Leung and the Company, pursuant to which the Company acquired the entire issued share capital of Join Forward from Mr. Lee and Mr. Leung, and in consideration thereof, (i) the Company allotted and issued as fully paid three Shares to Luxury Booming; and (ii) the one nil paid subscriber Share held by Luxury Booming was credited as fully paid
“Second Six-Month Period”	has the meaning as ascribed to it in the section headed “Underwriting” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	collectively, the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company pursuant to the written resolutions of the sole Shareholder passed on 12 May 2017, the principal terms of which are summarised in the section headed “Statutory and general information — D. Share Option Scheme — 1. Share Option Scheme” in Appendix IV to this prospectus
“SHK Properties”	Sun Hung Kai Properties Limited (stock code: 16), a company listed on the Main Board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Track Record Period”	the three years ended 31 December 2016
“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters

DEFINITIONS

“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“ WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“ YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“MOP”	Pataca, the lawful currency of Macau
“RMB”	Renminbi, the lawful currency of the PRC
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to the Company and as they are used in this prospectus in connection with the Group's business. These terms and their given meanings herein may not correspond to standard industry definitions.

“CAGR”	compounded annual growth rate
“GDP”	gross domestic product
“ISO”	International Organisation for Standardisation, a worldwide federation of national standards bodies
“ISO 9001”	a standard under ISO used for certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organisation that needs to demonstrate its ability to consistently provide products that meet its requisite standards
“Registered Minor Works Contractor”	A person whose name is on the register of minor works contractors maintained under section 8A of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) from time to time
“Registered Subcontractor”	A person whose name is on the list of registered subcontractors maintained under the Subcontractor Registration Scheme by the Construction Industry Council from time to time
“SOPL”	Security of Payment Legislation for the Construction Industry, details of which are set out in the in the section headed “Regulatory overview — I. The laws and regulations of Hong Kong — Laws expected to come into force which may impact the business of the Group — Security of Payment Legislation (“SOPL”) for the Construction Industry” in this prospectus

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- the Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of the Group’s business;
- the Group’s operation and business prospects;
- the Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which the Group operate;
- future developments in the industry in which the Group operate;
- the trend of the economy of Hong Kong, the United States, the PRC and the world in general; and
- risks identified under the section headed “Risk factors” in this prospectus.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

These statements are based on several assumptions, including those regarding the Group’s present and future business strategy and the environment in which the Group will operate in the future.

The Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, the Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors” and “Financial information” in this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, the Group’s intentions or those of any of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

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

RISKS RELATING TO THE GROUP'S BUSINESS

Revenue derived from the Group's five largest customers accounted for a substantial portion of the Group's revenue, inability to retain business relationship with them or secure new business may affect the Group's operations and financial performance

For each of the three years ended 31 December 2016, the Group's revenue amounted to approximately HK\$151.3 million, HK\$218.8 million and HK\$273.9 million, respectively, of which approximately 91.2%, 96.1% and 96.9% were attributed to the five largest customers, respectively. In particular, the Group's largest customer accounted for approximately 52.4%, 85.7% and 64.7% of its total revenue for each of the three years ended 31 December 2016, respectively. The Group does not enter into any long-term written agreements with these major customers as the contracts are awarded to the Group on a project-by-project basis through tendering.

As at 31 March 2017, the Group had 10 design and build projects on hand with an aggregate awarded contract sum of approximately HK\$519.2 million, of which approximately HK\$232.6 million or 44.8% is attributable to six design and build projects of SHK Properties. There is no assurance that the Group would be able to retain the major customers in the future. The Group's results of operations, profitability and liquidity would be materially and adversely affected if the Group was unable to secure new projects from its major customers and fail to procure a similar level of business from other customers on comparable commercial terms to partly or wholly offset the loss of revenue from these major customers.

In addition, the Group's business, financial condition and results of operations also depend on the financial condition and commercial success of these major customers. If the top five customers were unwilling or unable to make payments, the Group may be unable to recover significant amounts of trade receivables and its cash flows and financial position could be adversely affected.

Changes to the supply and cost of building materials may adversely affect the Group's operations and profitability

The Group's material and processing charges accounted for approximately 36.0%, 40.8% and 39.8% of the Group's total cost of revenue for each of the three years ended 31 December 2016, respectively.

RISK FACTORS

The supply and cost of building materials are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rate may also affect the Group's cost of building materials since some of the Group's suppliers are located in the PRC. In the event that the cost of building materials increases due to the external factors aforementioned, which are out of the Group's control, the Group's operations and profitability may be adversely affected.

During the Track Record Period, all of the Group's construction contracts are subject to the risks arising from material costs fluctuations as there is a time lag between the time the Group submits the tender and the time it purchases the materials. Failure to accurately estimate the materials costs for the projects at the time a project is awarded to the Group and any substantial increase in the price of the materials between the time of submission of the tender and the time the Group purchases the materials will therefore substantially increase the Group's materials costs and could materially and adversely affect the Group's cash flow, financial condition and results of operations.

Changes to the supply and cost of staff may adversely affect the Group's operations and profitability

During the Track Record Period, the Group's project staff costs accounted for approximately 13.5%, 10.9% and 13.2% of its cost of revenue, respectively. The supply and cost of staff in Hong Kong are affected by the availability of staff in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. In addition, an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour). There is no assurance that the statutory minimum wage will not increase in the future, and that the supply of labour and average cost of staff will be stable. If the Group cannot identify and recruit staff members to replace departed staff members in a timely manner or the cost of staff increases in the future, the Group's operations and profitability could be adversely affected.

The Group's contracts are non-recurring in nature, failure to obtain continuity of the order book for new projects could materially affect the Group's sustainability and financial performance

The projects undertaken by the Group are awarded on a project-by-project basis through tendering. The Group has to go through a competitive tendering or quotation process to secure new project works. The profitability of the Group's project is dependent on the price of its tender, which is based on the estimated costs to be incurred plus a mark-up. If a significant mark-up was made upon the estimated costs, the Group's tender price may be less competitive. On the other hand, if the tender price set by the Group is too low, then in the event that the actual time and costs involved in completing the construction works exceeds its estimation at the time when the tender was submitted, which may be caused by factors beyond its control such as shortage of labour, the Group's profitability may be materially and adversely affected.

Furthermore, the last expected completion date of the Group's design and build projects on hand as at 31 March 2017 is September 2018 and the duration of the Group's projects usually ranges from approximately three to 29 months. As such, its revenue is non-recurring in nature and the Group cannot guarantee that it will continue to secure new projects after the completion of the existing awarded projects.

RISK FACTORS

It is critical to the Group to secure new projects of similar or larger value on a continuous basis. In the event the Group is unable to maintain business relationship with existing customers or unable to price its tender or quotation competitively, its business, sustainability and financial performance will be adversely affected.

Failure to acquire adequate capital could delay the execution of new projects and prevent the expansion of the Group's business, which could materially and adversely affect the Group's business, financial performance and results of operations

The Group expects the execution of new projects and the business development in the future will require a significant capital. There is no assurance that the required capital can be obtained through equity or debt financing on acceptable terms or sufficient cash flow can be generated from the Group's operations to meet the cash requirements. Furthermore, the capital requirements may vary materially from those currently planned. Failure to obtain additional capital on acceptable terms may delay or prevent the expansion of the Group's business or force it to forego project opportunities which could materially and adversely affect the Group's business, financial performance and results of operations.

Costs overrun will materially affect the Group's financial performance

During the Track Record Period, the Group's revenue was project-based and primarily secured through tendering. The Group determines the price of its tender based on the estimated costs to be incurred plus a mark-up. As the duration of the Group's projects usually ranges between approximately three and 29 months, the cost management is critical in ensuring that the project meets its budgeted profit margin. The risk of cost overruns increases with the duration of a project, due to possible increases in the price of materials and labour.

In the preparation of the tender, the Group will carry out internal cost and budget estimates for labour and supplies to determine the tender price. The final price of a contract is determined at the time when the contract is awarded to the Group. Therefore, it is crucial to accurately estimate and control the costs of each project. However, the actual time and costs for completing a project may be adversely affected by various factors, including but not limited to a shortage and cost escalation of materials and labour, modification to the design plans which leads to variation orders on top of the original contracts and other unforeseen problems or circumstances, which may be beyond control by the Group. In the event that the Group fails to accurately estimate the costs involved in projects which resulted in cost overrun, and the Group is unable to pass such cost increase to its customers, the profitability and financial performance of the Group will be adversely affected.

Failure to receive progress payment on time and in full, or that retention money is not fully released to the Group after expiry of the defects liability period may affect the Group's liquidity position

The Group receives progress payment with reference to the value of the works completed. Generally, the value of the works completed is assessed by the customer and/or their authorised personnel who will verify the Group's completed works by issuing a payment certificate and the Group will issue an invoice for the amount of works certified. For further details of progress payment, please refer to the section headed "Business — Customers — Credit policy" in this prospectus. In addition,

RISK FACTORS

the Group's customers normally withhold up to 5% of the total contract sum as retention money, half of which will generally be released to the Group after the issue of the certificate of practical completion and the remaining balance will be released to the Group subsequent to the expiry of the defects liability period ranging from 12 to 24 months. During the Track Record Period, retention money held by the Group's customers amounted to approximately HK\$10.3 million, HK\$6.3 million and HK\$9.7 million, respectively.

The cash flow of the Group may fluctuate due to the payment practice applied to its projects

The Group's projects normally incur net cash outflows at the early stage of carrying out its works when the Group is required to pay the setting up expenditures, prior to payment received from its customers. The customers will make progress payments after the works commence and such works and payments are certified by the Group's customers. Accordingly the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress. The Group undertakes a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. Should the mix of the projects be such that more projects are at the initial stage, the Group's corresponding cash flow position may be adversely affected.

The Group's business performance depends on the availability of design and build projects for podium facade and curtain wall in Hong Kong

The performance of the Group's business is generally affected by the number and availability of design and build projects for podium facade and curtain wall in Hong Kong. The performance of the construction industry is cyclical and could be significantly affected by various factors, including but not limited to the fluctuations in economic conditions, the general conditions of property markets in Hong Kong, and other factors. For instance, an economic downturn in Hong Kong, where the Group operates, could materially and adversely affect the Group's business, financial performance and results of operations. There is no assurance that the number of design and build projects in Hong Kong will not decrease in the future.

The Group may not be able to maintain or increase its success rate of the projects tendered

During the Track Record Period, the Group's success rate on design and build project tendering was approximately 22.6%, 17.9% and 29.0%, respectively. There are a number of factors in determining the success rate on project tendering, including but not limited to the number of invitations to tender in each year and the tenders submitted by the Group's competitors in each project. As the contracts awarded are on a project-by-project basis, the Group is required to submit a new tender to the customer for each new project, even if the customer is an existing customer of the Group. Therefore, there is a risk that the Group may not be awarded with new contracts by its customers upon the expiry of the contracts on hand. Hence, there is no assurance that the Group will be able to maintain or increase its success rate of attaining engagement of projects tendered and quoted in the future. In the event that the Group is unable to maintain its success rate on project tendering, it may have a material and adverse impact on the Group's revenue and business operations.

RISK FACTORS

The Group's success significantly depends on the key management and its ability to attract and retain additional technical and management staff

The Group depends on the efforts and skills of its key management. For the biographies of the Directors and senior management of the Group, please refer to the section headed "Directors and senior management" in this prospectus. In particular, in order for G & M Engineering to maintain the registration as a Registered Minor Works Contractor, G & M Engineering must have at least one authorised signatory to act for it for the purposes of the Buildings Ordinance and one technical director to carry out certain duties including, among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the Buildings Ordinance. For details of the requirements for the Group to maintain the required number of authorised signatory and technical director and the Group's contingency plan in the event of retirement or resignation of any of the authorised signatory and technical director, please refer to the section headed "Business — Licences and permits" in this prospectus. As a result, the future success of the Group depends to a significant extent on the continuing service of these individuals, who are not obligated to remain employed by the Group. The loss of any executive Director or member of the senior management team could have a material adverse effect on its business if the Group is unable to find suitable replacements in a timely manner. In particular, in the event of retirement or resignation of any of the authorised signatory and technical director and if the Group is unsuccessful in implementing its contingency plan in having the backup persons appointed as the replacement of authorised signatory and/or technical director in a timely manner or due to retirement or resignation of any of the backup persons and the Group is not able to identify or hire further replacements in a timely manner, the Group's business operations which require the registration as a Registered Minor Works Contractor may be hindered or delayed and in turn the Group's reputation, prospects, business operations and financial conditions could be materially and adversely affected.

The Group's success also depends on its ability to attract, identify, hire, train and retain additional technical and management staff with the requisite industry expertise. Competition for such personnel is intense, and any failure to recruit and retain the necessary personnel or the loss of a significant number of staff at any time could harm the Group's business and prospects.

Mismanagement or delay of the Group's projects will materially affect its reputation and financial performance

The Group's revenue is recognised on the percentage of completion method, and billings are based on monthly progress claims. A delay in a project will therefore affect the Group's revenue, billings, operational cash flows and financial performance. A delay or cancellation of projects could also result in idle or excess manpower resources in the event that replacement projects cannot be secured on a timely basis.

A delay in the project can be due to various factors, including but not limited to, shortage of manpower and materials, and other factors that are beyond the Group's control. In addition, there may be a lapse of time between the completion of existing projects and the commencement of subsequent

RISK FACTORS

projects which may adversely affect the Group's financial performance and financial position. If the delay is caused by the Group, it is liable to pay liquidated damages to the Group's contracting parties as stipulated in the contracts and the Group's reputation could also be materially affected and may adversely affect the Group's future business opportunities.

Unsatisfactory performance by the subcontractors or unavailability of subcontractors may adversely affect the Group's operations and profitability

As the Group does not employ any direct labour to carry out the installation works for its design and build projects, the Group subcontracts the installation works to external subcontractors. In selecting subcontractors for a project, the Group will evaluate them based on their capacity in taking up the required scope of works, fee quotation, quality of fabrication works and production plant capacity. During the Track Record Period, subcontracting charges incurred by the Group amounted to approximately HK\$35.8 million, HK\$57.3 million and HK\$72.9 million, respectively.

However, there is no assurance that the work quality of the subcontractors can always meet the Group's requirements. In addition, there is no assurance that the Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, the Group's operation and financial position may be adversely affected

The Group may be liable for any defect in its projects

The Group's design and build projects will include a defects liability period typically ranging from 12 to 24 months from the date of practical completion during which the Group is responsible to rectify work defects. If the materials used are defective, the Group will replace them during the defect liability period or request the suppliers or subcontractors to do so. If the Group is required to rectify defects during the defects liability period which might result in substantial costs being borne by the Group, the profitability of the particular project will be reduced.

The Group may fail to obtain or renew the requisite licences, permits or qualifications, or otherwise fail to satisfy their requirements from time to time, which will affect the Group's ability to obtain new projects and its financial position and prospects

As at the Latest Practicable Date, the Group had a variety of licences and permits for various types of works, details of which are set out in the section headed "Business — Licences and permits" in this prospectus. These major licences, permits or qualifications have expiry dates, the one with the earliest expiry date is G & M Engineering's qualification as a Registered Minor Works Contractor, which will expire on 18 October 2018. There is no assurance that the Group can renew these licences and permits in a timely manner.

RISK FACTORS

In addition, these licences, permits and qualifications are subject to continued compliance with various standards relating to, amongst others, financial capability, expertise, management and safety and there is no assurance that the Group will continue to meet such standards from time to time. There are circumstances which may affect the ability of the Group to maintain such licences and permits or otherwise lead to a suspension, downgrading or demotion of the qualifications. For example, if a fatal construction accident occurs at a construction site that the Group is responsible for, it may lead to the relevant authority re-evaluating the qualifications of the Group. If the Group is unable to renew or otherwise maintain its licences, permits or qualifications, the Group may not be able to obtain certain new projects, and thereby its financial position and prospects would be materially and adversely affected.

The Group may be exposed to non-compliance, disputes, claims or litigations

The Group's business operations are subject to relevant applicable laws, rules and regulations. For further details, please refer to the section headed "Regulatory overview" in this prospectus. In the event that the Group fails to comply with such laws, rules and regulations, the Group may be subject to prosecution or fines, which may lead to the Group's ability to maintain and/or renewal of its licences and hence the Group's operation being materially affected.

Furthermore, the Group may be subject to claims in respect of various matters from the customers, suppliers, subcontractors, workers and other parties concerned with the projects from time to time. Such claims may include claims for compensation due to late completion of works or delivery of substandard works, disputes relating to late or insufficient payment and claims in respect of personal injuries and labour compensation in relation to works. Any of such claims may cause the Group to incur material costs or losses hence materially and adversely affect the Group's business, financial condition and results of operations.

Due to the nature of the Group's business, failure to comply with safety measures and procedures on construction site may lead to occurrence of personal injuries, property damage or fatal accidents

Due to the nature of the Group's business, the Group cannot guarantee that third parties or workers at the construction site will comply with the safety measures and procedures during the execution of works. In the event of non-compliance, there may be occurrences of serious personal injuries, property damage or fatal accidents, which may lead to interruption of the Group's operations and adversely affect the Group's financial conditions and results of operations to the extent that these mishaps are not covered by insurance policies.

The Group requires its subcontractors to abide by and implement all safety measures and procedures in the operation of fitting out or construction business. However, there can be no assurance that there will not be any violations of rules, laws or regulations on the part of the subcontractors. In the event that the Group's subcontractors fail to implement safety measures at the construction sites and personal injuries, property damage or fatal accidents occur, litigation may arise which will adversely affect the Group's reputation and financial position.

RISK FACTORS

The Group's insurance coverage may not be sufficient to cover all losses or potential claims which could affect the Group's business and results of operations

The Group has purchased third party public liability insurance to cover claims in connection with personal injuries or damage to property due to accidents at the Group's construction sites or from negligence in connection with the Group's business operations. However, the Group may become subject to liabilities against which it is not insured adequately or at all. Should any significant property damage or personal injury occur in the construction sites or to the employees due to accidents, natural disasters, or similar events which are not wholly or partially covered by insurance, the Group's business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

There is no assurance that the current levels of insurance maintained by the Group are sufficient to cover all potential risks and losses. If the Group face any operating risks resulting from any of the aforesaid events in relation to the failure to purchase insurance, the Group may bear a substantial cost and experience a loss. In addition, the insurers will review the policies each year and there is no guarantee that the Group can renew the policies or can renew on similar or other acceptable terms. If the Group suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on the business, financial position, results of operations and prospects.

Dividends declared in the past may not be indicative of the dividend in the future

For the year ended 31 December 2014, a subsidiary of the Company declared an interim dividend of approximately HK\$117,000, of which approximately HK\$29,000 was paid to that subsidiary's shareholder with non-controlling interest. For each of the two years ended 31 December 2016, subsidiaries of the Company declared interim dividend of approximately HK\$28,700,000 and HK\$45,900,000, respectively, to their then shareholders. The Group declared an interim dividend of HK\$20,000,000 on 31 March 2017 to the then shareholders. Any declaration of dividends proposed by the Directors and the amount of any such dividends will depend on various factors, including, without limitation, the results of operations, financial condition, future prospects and other factors which the Directors may determine are important. For further details of the dividends of the Company, please refer to the section headed "Financial information — Dividends" in this prospectus. The Group cannot guarantee if and when dividends will be paid in the future.

Adverse weather conditions and other construction risks may affect the work progress of the Group's design and build projects

Most of the Group's design and build projects are undertaken outdoor which can be affected by adverse weather conditions, such as rainstorms, tropical cyclones and continuous rain. These adverse weather conditions may cause difficulties to the Group in completing its projects on schedule. Any delay in completion of the design and build projects may render the Group subject to penalty and will adversely affect the operating results. The Group may also have to subsequently accelerate work

RISK FACTORS

progress in order to catch up to meet the scheduled time for completion, inevitably incurring additional costs. In addition, there are also other construction risks, such as fire and the suspension of water and electricity supplies, which the Group is subject to. They may not only affect work progress but also pose risks on properties kept at the construction sites.

The Group may not be able to completely prevent or deter fraud or other misconduct which may be committed by the Group's employees or third parties

The Group's employees or third parties may commit fraud or other misconduct and such acts could subject the Group to financial losses and harm its business and operations. There is no assurance that they can be completely prevented or deterred even if extensive internal controls and corporate governance practices are in place. In addition to potential financial losses, improper acts of its employees or third parties could subject the Group to third party claims and regulatory investigations. Any such fraud or other misconduct committed against the Group, whether involving past acts or future acts, could have an adverse effect on the Group's business, financial performance and results of operations.

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could significantly delay, or even prevent the Group from completing, the Group's projects

The Group's operations are subject to uncertainties and contingencies, such as epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist attacks. These extraordinary events are beyond the Group's control and could result in material disruptions in the operations and adversely affect the Group's business. Any such events could cause the Group to reduce or halt the operation, adversely affect the Group's business operation, increase the costs and/or prevent completion of the projects, any one of which could materially and adversely affect the Group's business, financial condition and results of operations.

The business plan may not be implemented successfully which may adversely affect the Group's prospects

The Group's future plans are described in the section headed "Future plans and use of proceeds" in this prospectus are based on current intentions and assumptions. The business plan may be hindered by other factors beyond the Group's control, such as the general market conditions, the government policies relevant to podium facade and curtain wall works industry in Hong Kong, the Group's ability to maintain existing competitive advantages and the new market entrants. There is no assurance that the Group's business plan can be successfully implemented. Should there be any material adverse change in the operating environment that lead to the failure by the Group to implement any part of the business plan, the Group's prospects may be adversely affected.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY THE GROUP OPERATES

The Group is dependent on market conditions and trends in the podium facade and curtain wall works industry in Hong Kong which may change adversely

All of the Group's projects are currently located in Hong Kong. The future growth and level of profitability of the podium facade and curtain wall industries in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Hong Kong government's spending patterns on the construction industry in Hong Kong, the investment of property developers and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of podium facade and curtain wall projects from the public sector, private sector or institutional bodies.

Apart from the public spending of the Hong Kong government, there are numerous factors affecting the podium facade and curtain wall works industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for podium facade and curtain wall works in Hong Kong deteriorate, the Group's operations and profits could be adversely affected.

The construction industry in Hong Kong has been facing the problem of rising construction costs, including the costs of construction workers and construction materials

The costs of construction materials have demonstrated a general increasing trend over the past few years. The general increases in construction material prices are affected by, amongst other factors, the strong construction demand. In addition, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. This is mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skillful labour as a number of skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. As a result of the shortage of construction workers and the implementation of minimum wage, the average wage of construction workers in Hong Kong keeps increasing. In view of the potential increase in the cost of construction workers and construction materials, the Group's business operations and financial conditions could be materially and adversely affected.

Personal injuries, property damages or fatal accidents may occur at construction sites

Notwithstanding the occupational health and safety control measures, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at construction sites. In addition, there is no assurance that there will not be any violation of the Group's safety measures or other related rules and regulations by workers. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at construction sites, which may materially and adversely affect business operations as well as financial position to the extent not covered by insurance policies.

RISK FACTORS

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

Any changes in environmental requirements may increase the Group's compliance costs

Due to the nature of the Group's business, the operations at construction sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. The government may revise such regulations from time to time. Any changes to such regulations and guidelines may increase cost and burden in complying with them.

The Group operates in a competitive industry

The construction industry in Hong Kong has a number of participants and is competitive. Occasionally, new participants could enter the industry if they have the appropriate skills, local experience, necessary business network and capital and are granted the requisite licences by the relevant regulatory bodies. The Group faces competition from other contractors in the submission of tender for construction contracts. Increased competition may lead to lower profit margins and loss of market share, and adversely impact on the Group's profitability and operating results.

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

There has not been any prior public market for the Shares and an active trading market may not develop

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Share Offer, there has been no public market for the Shares. The initial issue price range for the Shares was the result of negotiation between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and the Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the trading price of the Shares will not decline below the Offer Price.

The trading price of the Shares may also be subject to significant volatility in response to, amongst others, the following factors:

- variations in the Group's operating results;
- changes in the analysis and recommendations of securities analysts;

RISK FACTORS

- announcements made by the Group or its competitors;
- changes in investors' perception of the Group and the investment environment generally;
- developments in the podium facade and curtain wall works industry in Hong Kong;
- changes in pricing made by the Group or the competitors;
- the liquidity of the market for the Shares; and
- general economic environment and other factors.

Shareholders' interests may be diluted as a result of additional equity fund-raising or additional Shares are issued by the Group in the future

The Group may need to raise additional funds in the future to finance further expansion of its business. If additional funds are raised through the issuance of new equity or equity-linked securities of the Group other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in the Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

In addition, the Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

The trading volume and share price of the Shares may fluctuate. Further, any disposal of a substantial number of the Shares by the Controlling Shareholders in the public market could adversely affect the market price of the Shares

The price and trading volume of the Shares may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, new projects, industrial or environmental accidents suffered by the Group, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

RISK FACTORS

Further, there is no assurance that the Controlling Shareholders will not dispose of, in part or in whole of, their Shares following the expiration of their respective lock-up periods after the Listing. The Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders may have on the market price of the Shares. The sales of the Shares by any of the Controlling Shareholders may materially and adversely affect the prevailing market price of the Shares.

You may face difficulties in protecting your interests under Cayman Islands laws

The Company's corporate affairs are governed by, amongst others, the Articles of Association, the Companies Law and common law. The rights of the Shareholders to take action against the Directors, actions by minority Shareholders and the fiduciary responsibilities of the Directors to the Company are to a large extent governed by the Companies Law, common law and the Articles of Association. Common law is derived in part from comparatively limited judicial precedent in the common law jurisdictions, which may have persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. For further details, please refer to "Summary of the constitution of the Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

RISKS RELATING TO THIS PROSPECTUS

Investors should not place undue reliance on facts, statistics and data contained in this prospectus with respect to the economies and the industry

Certain facts, statistics and data in this prospectus are derived from various sources including various official government sources that the Group believe to be reliable and appropriate for such information. However, the Group cannot guarantee the quality or reliability of such source materials and the Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst the Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by the Group, the Sponsor, the Joint Bookrunners, the Underwriters or any of their respective directors, affiliates or advisers. Therefore none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

RISK FACTORS

Investors should read the entire prospectus and the Group strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports regarding the Group, its business, its industry and the Share Offer

There may be press and media coverage regarding the Group or the Share Offer, which may include certain events, financial information, financial projections and other information about the Group that do not appear in this prospectus. The Group has not authorised the disclosure of any other information not contained in this prospectus. The Group does not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus and the Application Forms, the Group disclaims responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

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

Included in this prospectus are various forward-looking statements that are based on various assumptions. The Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking statements" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Company (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Public Offer.

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and the Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Share Offer is managed by the Joint Bookrunners.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Friday, 9 June 2017, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the placing and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Share Offer.

RESTRICTIONS ON SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares under the Share Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offer of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No action has been taken to permit an offering of the Offer Shares, or the distribution of this prospectus and the Application Forms in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or an exemption therefrom.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Share Offer (including the additional Shares which may be issued under the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of the Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought in the near future.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Share Offer will be registered on the Hong Kong branch register of members to be maintained by Tricor Investor Services Limited. Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of the Company maintained by Estera Trust (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed “How to apply for Public Offer Shares” in this prospectus and on the related Application Forms.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and the Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about 13 June 2017. The Shares will be traded in board lots of 10,000 Shares each.

CURRENCY TRANSLATION

Unless otherwise specified, translations of RMB into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

RMB1.00: HK\$1.17

No representation is made that any amounts in RMB can be or could have been converted at the relevant dates at the above exchange rate or any other rates.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

ROUNDING

Certain information presented in thousands or millions unit have been rounded up or down. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent totals of individual items. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. LEE Chi Hung (李志雄)	Flat D, 6th Floor, West Wing Lung Tang Court 88-90 Castle Peak Road Tsing Lung Tau, Tsuen Wan New Territories Hong Kong	Chinese
Mr. CHAN Wai Yin (陳偉賢)	Block D, 5th Floor 70A Tai Po Road Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. LEUNG Ping Kwan (梁炳坤)	Flat A, 41/F. - 42/F., Block 2 Hilltop Gardens Diamond Hill Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Professor WONG Roderick Sue Cheun (王世全)	Flat A, 7/F., Village Gardens 19 Fa Po Street Kowloon Tong Kowloon Hong Kong	Canadian
Mr. TAI Kwok Leung, Alexander (戴國良)	21 Ching Sau Lane Chung Hom Kok Hong Kong	Chinese
Mr. KWAN Cheuk Kui (關卓鉅)	Room 1106, Choi Tin House Hing Tin Estate, Lam Tin Kowloon Hong Kong	Chinese

Please refer to the section headed “Directors and senior management” in this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Messis Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 1606, 16th Floor, Tower 2

Admiralty Centre

18 Harcourt Road

Hong Kong

Joint Bookrunners

Aristo Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

Room 101, 1st Floor, On Hong Commercial Building

145 Hennessy Road

Wanchai

Hong Kong

South China Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

28th Floor, Bank of China Tower

1 Garden Road

Central

Hong Kong

Co-Managers

Ruibang Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

9/F., Sang Woo Building

227-228 Gloucester Road

Wanchai

Hong Kong

Zhong Jia Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

Room 9, 8/F., One Island South

2 Heung Yip Street

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Opus Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

18/F., Fung House
19-20 Connaught Road Central
Central
Hong Kong

Public Offer Underwriters and Placing Underwriters

Aristo Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

Room 101, 1st Floor, On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

South China Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Ruibang Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

9/F., Sang Woo Building
227-228 Gloucester Road
Wanchai
Hong Kong

Zhong Jia Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

Room 9, 8/F., One Island South
2 Heung Yip Street
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Opus Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

18/F., Fung House
19-20 Connaught Road Central
Central
Hong Kong

Legal advisers to the Company

As to Hong Kong law:

TC & Co.

Solicitors, Hong Kong
Units 2201-2203, 22nd Floor
Tai Tung Building
8 Fleming Road
Wan Chai
Hong Kong

As to PRC law:

Hills & Co.

PRC attorneys-at-law
11th Floor, Central Business Building
No. 88 Fu Hua 1st Road
Fu Tian District
Shenzhen
PRC

As to Cayman Islands law:

Appleby

Legal advisers as to Cayman Islands law
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Sponsor, the Joint Bookrunners and the Underwriters

As to Hong Kong law:

Iu, Lai & Li

Solicitors, Hong Kong
Rooms 2201, 2201A & 2202
22nd Floor
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to PRC law:

Deheng Law Offices (Shenzhen)

PRC attorneys-at-law

11/F., Section B, Anlian Plaza

4018 Jintian Road

Futian District

Shenzhen

PRC

Reporting accountant and auditor

BDO Limited

Certified Public Accountants

25th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited

1 Garden Road

Central

Hong Kong

CORPORATE INFORMATION

Registered office	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong	Units 1709-14, 17th Floor Manhattan Centre 8 Kwai Cheong Road Kwai Chung New Territories Hong Kong
Company's website	<u>www.gm-eng.com.hk</u> (information of this website do not form part of this prospectus)
Joint company secretaries	Ms. Huen Shuk Man <i>Certified Public Accountant</i> Flat 1409, Shek Hing House Shek Lei Estate, Kwai Chung New Territories Hong Kong Mr. Lee Baldwin <i>Certified Public Accountant</i> 155 Tong Fuk Village Lantau Hong Kong
Authorised representatives	Mr. Lee Chi Hung Flat D, 6th Floor, West Wing Lung Tang Court 88-90 Castle Peak Road Tsing Lung Tau, Tsuen Wan New Territories Hong Kong Mr. Chan Wai Yin Block D, 5th Floor 70A Tai Po Road Kowloon Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Tai Kwok Leung, Alexander (Chairman) Professor Wong Roderick Sue Cheun Mr. Kwan Cheuk Kui
Remuneration Committee	Mr. Kwan Cheuk Kui (Chairman) Mr. Lee Chi Hung Professor Wong Roderick Sue Cheun Mr. Tai Kwok Leung, Alexander
Nomination Committee	Mr. Lee Chi Hung (Chairman) Professor Wong Roderick Sue Cheun Mr. Tai Kwok Leung, Alexander Mr. Kwan Cheuk Kui
Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong Shanghai Commercial Bank Limited G27 Franki Centre 320 Junction Road Kowloon Tong Kowloon Hong Kong Citibank N.A. 21st Floor Tower 1 & 2, The Gateway Harbour City Tsimshatsui Kowloon Hong Kong

CORPORATE INFORMATION

Compliance adviser

Messis Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 1606, 16th Floor, Tower 2

Admiralty Centre

18 Harcourt Road

Hong Kong

INDUSTRY OVERVIEW

This and other sections of this prospectus contain information relating to the industry in which the Group operates. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by the Company and prepared by Ipsos, an independent market research agency. The Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. The Company and the Sponsor have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by the Company, the Sponsor, the Joint Bookrunners, any of the Underwriters, their respective directors and officers or any other parties involved in the Share Offer. No representation is given as to the accuracy or completeness of such information and statistics.

SOURCES OF INFORMATION

The Group has commissioned Ipsos, an independent market research agency which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the podium facade and curtain wall works industry Hong Kong at an aggregate fee of HK\$578,000. The Directors consider that such fee reflects market rates. To provide the above analysis, Ipsos combined the following data and intelligence gathering methodology: (a) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (b) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (c) performing client consultation to facilitate the research including in-house background information of the client (such as the business of the Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Ipsos is wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

Analysis in the Ipsos Report are based on the following assumptions:

- It is assumed that there are no external shocks such as financial crisis or natural disasters which could affect the demand for and supply of the facade and curtain wall works in Hong Kong over the forecast period; and
- It is assumed that the global economy remains in steady growth across forecast period.

Forecast models and figures in the Ipsos Report are based on the following assumptions:

- GDP value in Hong Kong from 2011 to 2015 and forecast from 2016 to 2020;

INDUSTRY OVERVIEW

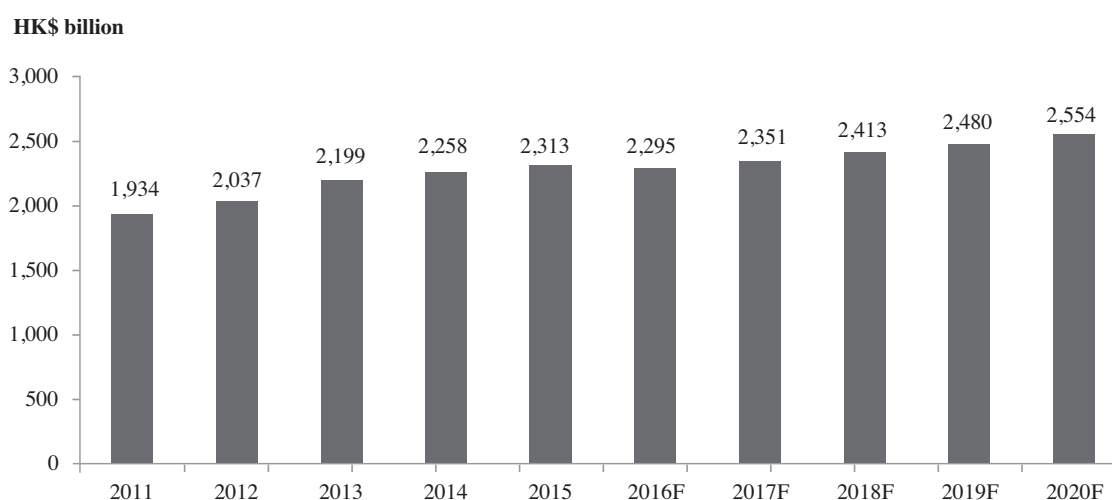
- Gross output value of construction works performed by main contractors at construction sites in Hong Kong from 2011 to 2015 and forecast from 2016 to 2020;
- Revenue of the podium facade and curtain wall works industry from 2011 to 2015 and forecast from 2016 to 2020;
- Historical average daily wage of direct labour related to podium facade and curtain wall works industry in Hong Kong from 2011 to 2015; and
- Historical price trend of key materials used in the podium facade and curtain wall works industry in Hong Kong from 2011 to 2015.

The Directors confirm that, to the best of their knowledge, information and belief after making reasonable enquires, there has been no adverse change to the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

CONSTRUCTION INDUSTRY IN HONG KONG

The GDP value of Hong Kong increased from approximately HK\$1,934 billion to approximately HK\$2,313 billion from 2011 to 2015, with a CAGR of approximately 4.6%. The increase was mainly attributable to the development of tertiary industry including finance, tourism and real estate. From 2016 to 2020, it is expected that the GDP value of Hong Kong will grow from approximately HK\$2,295 billion to approximately HK\$2,554 billion, at a CAGR of approximately 2.7%, due to the openness of Hong Kong banking system which attracts investors to invest in the property and infrastructure sectors, such as the construction of Hong Kong-Zhuhai-Macau Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link, connecting Hong Kong to its adjacent areas.

GDP value of Hong Kong

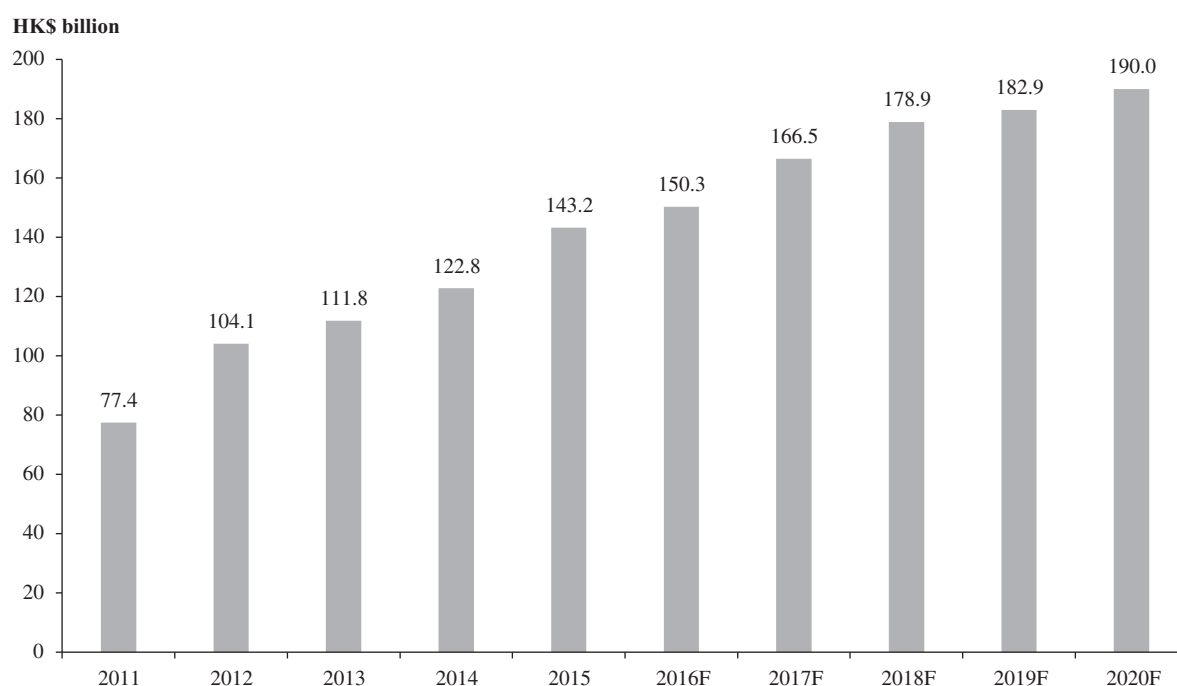


Sources: Census and Statistics Department, HKSAR; International Monetary Fund (IMF); Ipsos research and analysis

INDUSTRY OVERVIEW

Construction projects in Hong Kong can be categorised into (i) public sector projects where main contractors are employed by the Hong Kong government or statutory bodies; and (ii) private sector projects.

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



Sources: Census and Statistics Department, HKSAR; 2016 Policy Address; 2016-17 Budget; Construction Industry Council, HKSAR; Hong Kong Institute of surveyors, HKSAR; Ipsos research and analysis

The total gross output value of construction works performed by main contractors at construction sites in Hong Kong increased from approximately HK\$77.4 billion in 2011 to approximately HK\$143.2 billion in 2015, at a CAGR of approximately 16.6%. The significant growth was due to the rising demand of commercial and residential buildings, renovation and revitalisation of industrial buildings and implementation of large-scale public infrastructure projects such as the Public Housing Development Program, Kai Tak Development and Hong Kong-Zhuhai-Macau Bridge.

It is expected that the total gross output value of construction works performed by main contractors at construction sites in Hong Kong will increase from approximately HK\$150.3 billion in 2016 to approximately HK\$190.0 billion in 2020 at a CAGR of approximately 6.0%. This is mainly attributed to the Hong Kong government's initiatives to increase the supply of public housing and commercial land as well as the commencing and upcoming infrastructure projects.

INDUSTRY OVERVIEW

PODIUM FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

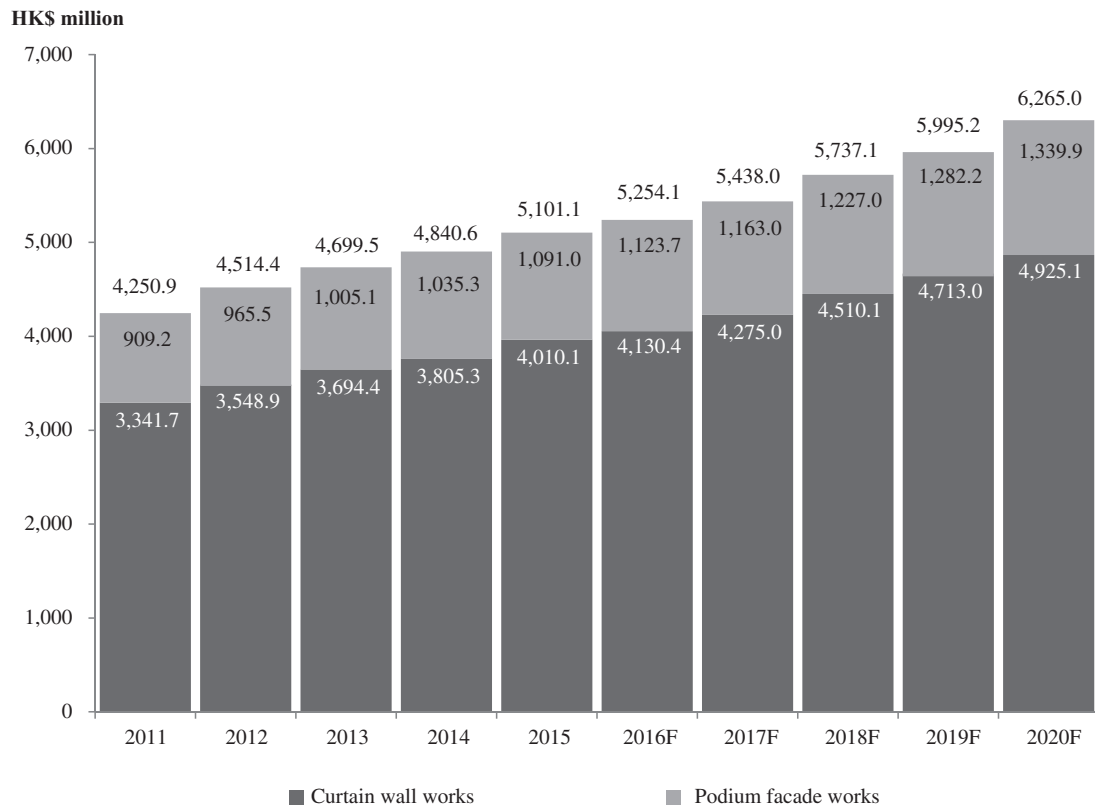
Facade generally refers to the exterior surface of a building. Based on the location of the building where the facade is installed, facade can be further segmented into podium facade and curtain wall. There is the general trend for distinguishing the building skin from its structure, which has led to the development of podium facade and curtain wall works industry to be a distinct sub-sector of the construction industry. For the podium facade works segment, it generally refers to the external surface of the podium or atrium portion of a building, which is typically made of a combination of different materials, such as glass, granite and other cladding materials. Podium facade works mainly relate to the provision of engineering consulting and building services in relation to podium facade and related works to residential buildings, retail stores, commercial buildings, office buildings and public facilities in Hong Kong. Such works generally include (i) associated cladding and glazing works such as shop fronts, skylight, canopy, balustrades and window walls; and (ii) repair and maintenance services.

For the curtain wall works segment, it generally refers to the external surface of a building above the podium or atrium. Glass, aluminium plate and various types of stone are common materials for curtain wall works. Curtain wall works mainly relate to the provision of engineering consulting and building services in relation to curtain wall and related works to residential buildings, retail stores, commercial buildings, office buildings and public facilities in Hong Kong. Such works include (i) associated cladding and glazing works such as aluminium claddings, louvres, skylight; and (ii) repair and maintenance services.

The revenue of the podium facade and curtain wall works industry increased from approximately HK\$4,250.9 million in 2011 to approximately HK\$5,101.1 million in 2015, at a CAGR of approximately 4.7%. The growth was attributed to the increasing number of building projects and the rising project fee of podium facade works and curtain wall works.

INDUSTRY OVERVIEW

Revenue of the podium facade and curtain wall works industry in Hong Kong

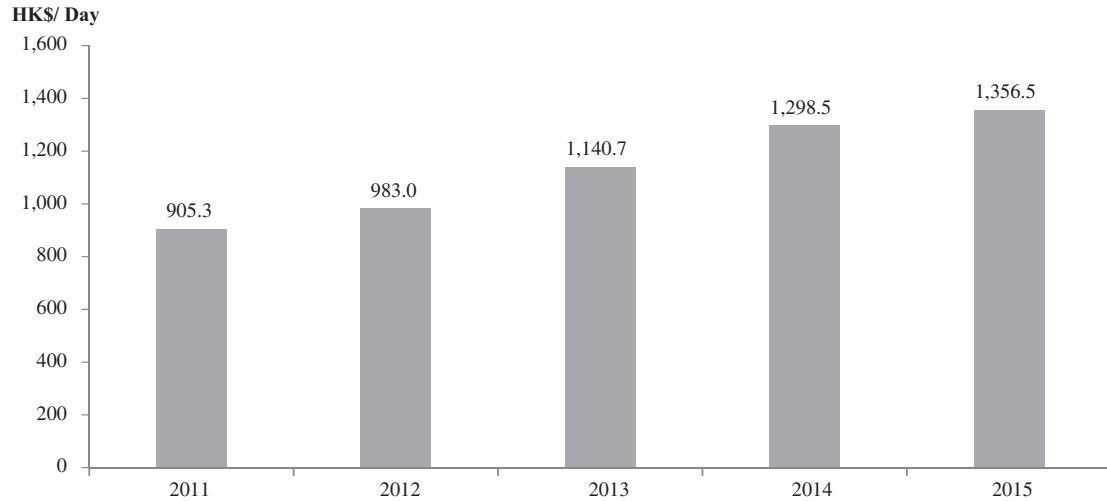


Source: Ipsos research and analysis

The revenue of the podium facade and curtain wall works industry is expected to continue its rising trend from approximately HK\$5,254.1 million in 2016 to approximately HK\$6,265.0 million in 2020, at a CAGR of approximately 4.5%. Such growth is mainly driven by the increase of land supply for public and private residential buildings under the development plan for North East New Territories New Development Areas and conversion of government properties into commercial use. The continuous development of the New Territories is likely to bring business opportunities to the podium facade and curtain wall works industry in Hong Kong.

INDUSTRY OVERVIEW

Average daily wage of direct labour related to the podium facade and curtain wall works industry in Hong Kong



Sources: National Bureau of Statistics, PRC; Census and Statistic Department, HKSAR; Ipsos research and Analysis

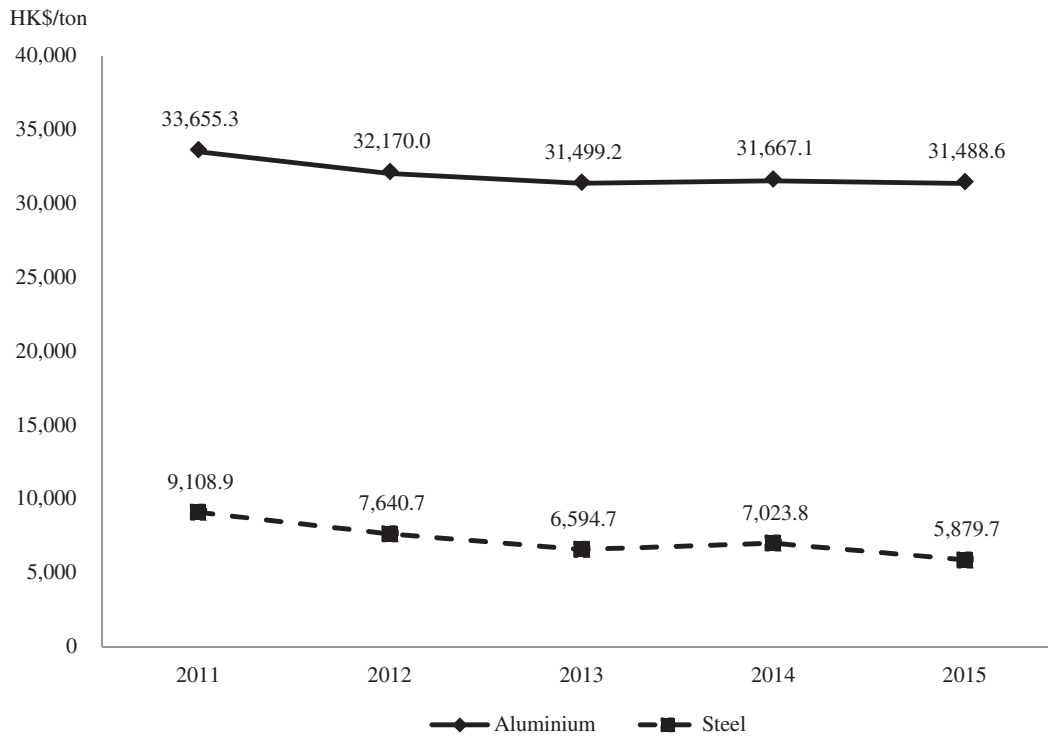
According to the Ipsos Report, the average daily wage of direct labour related to podium facade and curtain wall works industry increased significantly from approximately HK\$905.3 in 2011 to approximately HK\$1,356.5 in 2015, at a CAGR of approximately 10.6%. The increase in average daily wage was mainly caused by the insufficient labour supply to the podium facade and curtain wall works industry.

Due to the aging problem and the decreasing trend of the younger generation who are willing to join the construction workforce, the supply of direct labour for various types of construction works decreased. Since the supply of direct labour related to podium facade and curtain wall works was insufficient, the industry offered higher daily wage to attract more people to join the workforce for performing the related works.

INDUSTRY OVERVIEW

KEY MATERIALS USED IN PODIUM FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

Price trend of aluminium and steel in Hong Kong

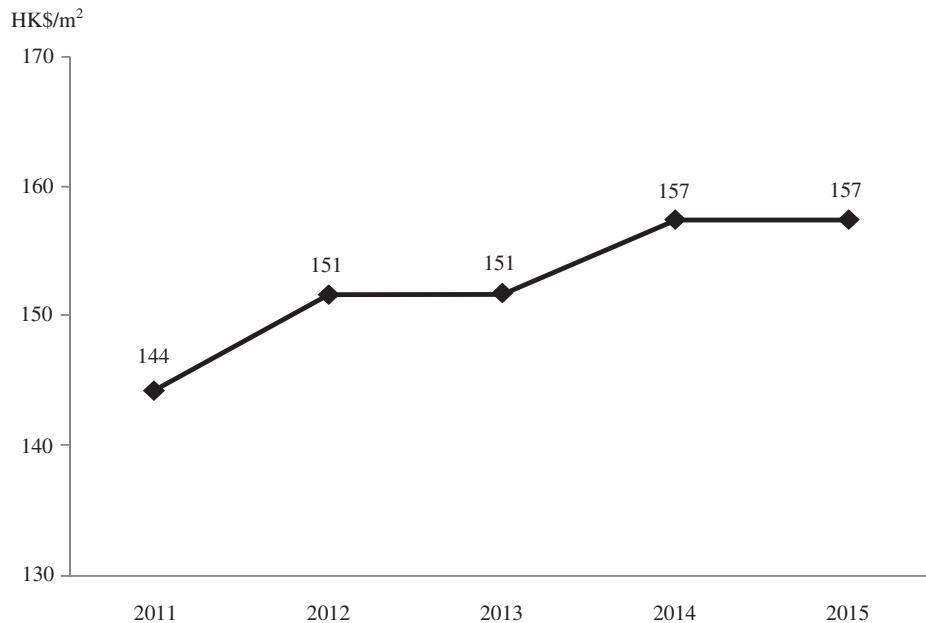


Sources: UN Comtrade; International Trade Administration (ITA), International Steel Statistic Bureau (ISSB); National Bureau of Statistics, PRC and Ipsos research and analysis

The price of aluminium slightly decreased from approximately HK\$33,655.3 per ton in 2011 to approximately HK\$31,488.6 per ton in 2015, at a negative CAGR of approximately 1.6%. The price of steel decreased from approximately HK\$9,108.9 per ton in 2011 to approximately HK\$5,879.7 per ton in 2015, with a negative CAGR of approximately 10.4%. The decreasing trend was primarily due to the overproduction of such materials in the PRC. The economic slowdown in the PRC led to the slower growth of aluminium and steel consumption as compared to that of the production.

INDUSTRY OVERVIEW

Price trend of glass in Hong Kong



Sources: National Bureau of Statistics, PRC; Census and Statistic Department, HKSAR; Ipsos research and analysis

According to the Census and Statistic Department, the price of glass slightly increased from approximately HK\$144 per m² in 2011 to approximately HK\$157 per m² in 2015, with a CAGR of approximately 2.2%. The demand for glass increased in accordance with the expansion of property market in the PRC from 2011 to 2015 since glass is widely used in buildings to serve various purposes of design and function.

MARKET DRIVERS TO THE PODIUM FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

The podium facade and curtain wall works industry in Hong Kong was supported by demand from the increasing number of residential buildings, commercial buildings and public infrastructure from 2011 to 2015. The increasing number of building projects will provide growth momentum to the podium facade and curtain wall works industry.

It is common for curtain wall and podium facade being applied to the residential buildings. Light weight curtain wall system has been applied to residential buildings since the regulation allowed certain thickness of the curtain wall to be accounted for the gross floor area. Therefore, curtain wall was widely adopted which boosted the curtain wall works industry. As the podium facade works included the construction of lobby and entrances of the residential buildings, the podium facade works industry also boosted with the increasing number of new residential buildings.

INDUSTRY OVERVIEW

The podium facade and curtain wall works industry was driven by the design trend of commercial buildings and retail shops. The retail industry expanded in the past few years with increasing number of commercial buildings and expansion of retail brands. High-end podium facade and curtain wall works have become a design trend and are more commonly applied to commercial buildings and retail shops, which the related works generally include the construction of exterior outlook of retail shops and shopping malls. It is expected that the design trend of commercial buildings and retail shops will boost the demand for podium facade and curtain wall works.

It is notable that the Hong Kong government has massively invested in infrastructure projects. Podium facade and curtain wall works are not necessarily required for all infrastructure projects but they are required when the infrastructure projects are affiliated with commercial and/or other types of building constructions. For instance, podium facade works were required in Kai Tak Cruise Terminal as part of its exterior envelope was constructed in podium facade. Currently, Hong Kong Children's Hospital is being constructed in Kai Tak Development Area and based on the information disclosed on the hospital's website, the envelope of the building is being constructed in the curtain wall and the entrance of the building is expected to be constructed in podium facade. In addition, podium facade works are required as the part of station buildings and entrances in railway infrastructure projects. For example, podium facade works were required in the construction of Ocean Park Station on the South Island Line. The West Kowloon Terminus of Guangzhou-Shenzhen-Hong Kong Express Rail Link is under construction and podium facade works are expected to be carried out for the exterior envelope of the terminus. The thriving infrastructure activities will drive the demand for podium facade and curtain wall works.

FUTURE TRENDS AND DEVELOPMENTS OF THE PODIUM FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

The designs and technologies of podium facade and curtain wall works industry are changing. The future trend in the podium facade and curtain wall works industry is driven by the increasing demand for new production and material technologies which including the requirement to produce facade and curtain wall works with new geometric shapes and larger panes of glass.

The glass can be fabricated to increase the energy efficiency. Increasing energy efficiency is also likely to be a key future trend. It is expected that there will be an increase demand for high performance energy efficient systems that use specially fabricated glass in order to minimise solar energy gain while allowing maximum visible light transmission. Energy efficiency is becoming increasingly important to property developers as a way to reduce building running costs.

One-stop design and build solution is becoming more important. The capability of providing one-stop design and build solution is also becoming progressively important. Podium facade and curtain wall works contractor which provides one-stop design and build solution, ranging from facade or curtain wall system design, shop drawings, structural calculations, building materials procurement and project management, tends to attract more business opportunities. This is crucial to the contractor

INDUSTRY OVERVIEW

because developer or main contractor can save time and financial cost to search for multiple parties to perform different stages of works, and thus prefer to engage with contractor who is able to complete and manage the entire podium facade and curtain wall project. As a result, the capability to provide one-stop solution became an important factor to be more competitive.

ENTRY BARRIERS

The supply of experienced design engineer is insufficient in the podium facade and curtain wall works industry. It is an industry norm that contractors in the industry maintain a team of designers because of the one-stop solutions approach. Due to the complexity with the application and combination of multiple types of construction materials, experienced designers are important for contractors to prepare the design for submitting tender for podium facade projects. However, the supply of experienced designer is insufficient in the industry, the new entrants could face a challenge to hire experienced designer for the design works.

Supply of direct labour is insufficient in the industry. As the supply of direct labour is limited and insufficient in the industry, it is difficult for the new entrants to have relatively stable source of direct labour. Moreover, the stable source of direct labour is directly related to project schedule. Any delays of the project schedule will result in penalty and negative impact to the player's reputation.

Proven track record is important in the industry. When selecting a podium facade and curtain wall works contractor, the developer or main contractor will consider the track record and reputation of the podium facade and curtain wall works contractor in terms of quality of works, design capability and project management. New entrants to the industry may find difficulties in obtaining projects because they have limited job references.

OPPORTUNITIES AND CHALLENGES

The trend of environmentally friendly buildings is likely to drive the podium facade and curtain wall works industry. The growing trend for green building materials is likely to be the growth driver for the development of podium facade and curtain works industry in Hong Kong due to the increasing demand for refurbishments, additions and alterations to existing buildings to improve the energy efficiency and sustainability. It is expected that the demand for environmental friendly podium facade and curtain wall materials will increase in the future.

The Kai Tak area development will be an opportunity for the podium facade and curtain wall works industry in Hong Kong. The Kai Tak area development is a complex project including facilities such as a multi-purpose sports complex, metro park, cruise terminal, hotels, a hospital, housing, as well as other commercial and entertainment construction projects. These facilities often require substantial podium facade and curtain wall works, and it will potentially increase the demand for podium facade and curtain wall works. As the Kai Tak area will be developed up until around 2021, this development project will contribute to the growth of the podium facade and curtain wall works industry in Hong Kong.

INDUSTRY OVERVIEW

Insufficient experienced and skill labour in the construction industry. The construction industry in Hong Kong has been facing the problem of labour shortage and aging workforce. According to the Hong Kong Construction Industry Council, there were 367,377 registered workers in April 2016, of which approximately 42.4% of them have been in the construction industry for more than 10 years and were aged over 50. With the aging labour force, the industry is also struggling to attract and retain skilled workers as a significant number of experienced and skilled workers are lured to Macau as large-scale construction projects are taking place there. Moreover, the young people are less willing to enter into the construction industry which has worsened the labour shortage issue.

Increasing operating cost is leading to lower profit margins. The podium facade and curtain wall works contractors have been facing increasing construction costs. The increase in operating costs is attributed to the increasing wage trend of construction workers. The average wage of construction workers in Hong Kong increased from approximately HK\$62.9 per hour in 2011 to approximately HK\$91.2 per hour in 2015, at a CAGR of approximately 9.7%. Such increase in labour costs consistently raised the total operating costs of the podium facade and curtain wall works industry, while the lower profit margins for the projects may become a threat to the industry.

COMPETITIVE LANDSCAPE OF THE PODIUM FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

The curtain wall works industry in Hong Kong is dominated by top tier players in the market, which is considered mature and consolidated with approximately 20 major companies performing curtain wall works in the industry. There are approximately five market players considered to be the top tier market players dominating the industry. In terms of the revenue of the curtain wall works industry in Hong Kong in 2015, the top five dominant players collectively accounted for approximately 56.1% of the market share while the remaining market players accounted for approximately 43.9% of the market share and the Group accounted for approximately 0.3% of the market share.

The podium facade works industry in Hong Kong is smaller than the curtain wall works industry and is dominated by major market players. There are approximately 20 major companies that perform podium facade works in Hong Kong, of which about five major players dominated the podium facade industry in Hong Kong. In terms of the revenue of the podium facade works industry in Hong Kong in 2015, the top five market players collectively accounted for approximately 62.1% of the total market share while the remaining players accounted for approximately 37.9% of the market share. The

INDUSTRY OVERVIEW

Group ranked second and accounted for approximately 18.0% of the total revenue of the podium facade works industry in Hong Kong. The following table sets forth a detailed ranking, in terms of revenue, of the players in the podium facade works industry in Hong Kong in 2015:

Company name	Principal business activities	Estimated revenue in 2015 (approximately) HK\$ million	Market share (approximately) %
Competitor A	Competitor A provides services in design, fabrication and installation of podium facade and curtain wall works.	199.3	18.3
The Group	The Group provides (i) one-stop design and build solutions; and (ii) repair and maintenance services in relation to podium facade and curtain wall works.	196.0	18.0
Competitor B	Competitor B provides (i) structural engineering works; and (ii) trading of building material products.	124.5	11.4
Competitor C	Competitor C provides services in design, fabrication and installation of curtain wall and podium facade.	100.0	9.2
Competitor D	Competitor D provides design, supply and installation of curtain wall and podium facade services and related works.	56.9	5.2
Others	N/A	<u>414.3</u>	<u>37.9</u>
Total		<u><u>1,091.0</u></u>	<u><u>100.0</u></u>

Source: Ipsos research and analysis

REGULATORY OVERVIEW

OVERVIEW

The Group mainly provides (i) one-stop design and build solutions; and (ii) repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. This section sets out summaries of certain aspects of Hong Kong and PRC laws, rules and regulations which are material to the Group's operation and business.

I. THE LAWS AND REGULATIONS OF HONG KONG

THE LAWS AND REGULATIONS OF HONG KONG CONTRACTOR LICENSING REGIME AND OPERATION

Minor works Contractor

(i) *Minor Works Control System*

Under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (“**Buildings Ordinance**”), the carrying out of large-scale building works or works of a very simple nature are governed by the same set of controls, including the requirements to obtain prior approval and consent from the Buildings Department before commencement of works and to appoint authorised persons (i.e., architects, engineers and surveyors registered under the Buildings Ordinance), and registered professionals to design and supervise the works as well as registered contractors to carry out the works.

The requirements of the above system are too stringent for minor works which are of a smaller scale and pose a lower level of risk. This not only creates difficulties on control and enforcement, but also results in many unauthorised building works.

In view of the above, the Buildings Ordinance was amended in 2008 to provide for a minor works control system which has been fully implemented since 31 December 2010. The Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (“**B(MW)R**”) was passed by the Legislative Council in May 2009 to provide for a simplified control mechanism to facilitate the carrying out of minor works without prior approval of plans by the Buildings Department.

(ii) *Classification of Minor Works*

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

(1) Class I (total of 44 items) includes mainly those relatively more complicated minor works;

REGULATORY OVERVIEW

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

All classes of minor works require the appointment of a prescribed registered contractor (including a registered minor works contractor) to carry out the minor works. However, as Class I minor works are relatively more complicated than those of the other two classes, they require a higher level of technical expertise and more stringent supervision. As a result, the appointment of prescribed building professionals, such as an authorised person(s) and, where structural and/or geotechnical elements are involved, a registered structural engineer and a registered geotechnical engineer respectively, are also required to provide design and supervision of the minor works. On the other hand, the involvement of a prescribed building professional is not required for Class II and Class III minor works, where the prescribed registered contractor will be responsible for the design and execution of the minor works.

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

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

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

(iii) *Register of Minor Works Contractors*

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

REGULATORY OVERVIEW

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

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

(iv) *Requirements for registration as RMWC (Co)*

Under Section 12(5) of the B(MW)R, an applicant for registration as an RMWC (Co) must satisfy the Building Authority on the following aspects:

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

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

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

REGULATORY OVERVIEW

(v) *Authorised Signatory and Technical Director of RMWC (Co)*

In considering each application for registration as an RMWC (Co), the Building Authority will give regard to the qualifications, experience and suitability of the following key personnel of the applicant:

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance hereinafter referred to as the Authorised Signatory (“AS”); and
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director (“TD”), who is authorised by the board to:
 - (i) have access to plants and resources;
 - (ii) provide technical and financial support for the execution of minor works; and
 - (iii) make decisions for the company and supervise the AS and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.

(vi) *Persons Eligible to be the AS or TD of RMWC (Co)*

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

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

REGULATORY OVERVIEW

The Building Authority imposes specific requirements on the qualifications and experience of the key personnel of a registered minor works contractor. The following table summarises the said specific requirements for registered minor works contractor imposed by the Building Authority:

Key personnel	Specific requirements on the key personnel
Authorised Signatory	<p>Must have:</p> <ol style="list-style-type: none">1. at least 3 years' relevant experience in building industry, 1 year of which should be gained locally; and2. been involved in 7 relevant items of minor works in Hong Kong in which 1 of them must be completed within the 3 years preceding the date of application for registration; and3. at least a certificate, diploma or equivalent in the field of construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering or in other fields of studies which the Building Authority accepts.
Technical Director	<p>Must have:</p> <ol style="list-style-type: none">1. at least 5 years' relevant experience in building industry in which 1, 3 or 5 years should be in managing a building contractor company in Hong Kong depending on the class of application; or2. 3 years' relevant experience in building industry, 1 year of which should be gained locally; and3. at least a certificate, diploma or equivalent in the field of construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering or in other fields of studies which the Building Authority accepts.

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

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

REGULATORY OVERVIEW

(vii) *Validity Period of Registration and Renewal of Registration*

Pursuant to Section 13 of the B(MW)R, the registration as RMWC (Co) is valid for a period of three years commencing from the date of entry of the name in the register of minor works contractors maintained by the Building Authority. Under Section 14(1) and (2) of B(MW)R, an RMWC (Co) may apply to the Building Authority for renewal of registration within a period not earlier than 4 months and not later than 28 days prior to the expiry of the registration. A renewed registration will expire on the third anniversary of the expiry date of the previous registration.

The Subcontracting Registration Scheme

The Construction Industry Council has introduced the Subcontracting Registration Scheme, a registration scheme for trade subcontractors taking part in building and engineering works in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics.

Subcontractors may apply for registration in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services.

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

- (a) completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialties for which registration is applied; or, comparable experience acquired by the applicant or its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the project management training series for sub-contractors (or equivalent) conducted by the Construction Industry Council; or
- (d) the applicant or its proprietor, partner or director having registered as registered skilled worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/ specialty with at least five years' experience in the trade/ specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

An approved registration under the Subcontractor Registration Scheme shall be valid for two years from the approval date. A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry

REGULATORY OVERVIEW

Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee of the Construction Industry Council. If some of the entry requirements covered in an application can no longer be satisfied, the management committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met.

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial undertakings. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking, including construction work, to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations, include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

REGULATORY OVERVIEW

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
 - maintenance of the workplace in a condition that is safe and without risks to health;
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment for the employees that is safe and without risks to health.

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

The Commissioner for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent hazard to the employees. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and imprisonment of up to 12 months and HK\$500,000 and imprisonment of up to 12 months respectively.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

REGULATORY OVERVIEW

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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

Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under Section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with Section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for 2 years.

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

Pursuant to Section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, such payment of wages is recoverable from the subcontractor pursuant to Section 43F of the Employment Ordinance.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

REGULATORY OVERVIEW

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

Under section 38A of the Immigration Ordinance, the principal or main contractor who has control over or is in charge of a construction site should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

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

The Mandatory Provident Fund Schemes Ordinance requires the Group to provide retirement benefits to the employees. Under the said Ordinance, except for exempted persons, employees (full-time and part-time) and self-employed persons who are between 18 to 65 years of age are required to join a Mandatory Provident Fund Scheme.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (HK\$30 per hour (applicable for the period from 1 May 2013 to 30 April 2015), HK\$32.5 per hour (applicable for the period from 1 May 2015 to 30 April 2017) and HK\$34.5 per hour currently) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

The Air Pollution Control Ordinance regulates the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other sources of pollution. Its subsidiary regulations impose control on air pollutant emissions from certain operations through the issue of licences and permits.

REGULATORY OVERVIEW

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, Air Pollution Control (Construction Dust) Regulation and Air Pollution Control (Smoke) Regulation. For instance, a contractor responsible for a construction site shall devise and arrange methods of carrying out the works in a manner that minimises the impact of dust on the surrounding environment of the construction site, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require building works involving asbestos to be conducted only by registered qualified personnel under the supervision of a registered consultant.

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

The Noise Control Ordinance regulates, amongst others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Schedule 1 of the Noise Control (Hand Held Percussive Breakers) Regulations (Chapter 400D of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different masses of the hand-held percussive breakers. Similarly, Schedule 1 of the Noise Control (Air Compressors) Regulations (Chapter 400C of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different air flows of the air compressors.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on a second or subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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

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

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$50,000 (level 5) upon conviction.

REGULATORY OVERVIEW

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

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

OTHERS

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anticompetitive conduct which prevents, restricts or distorts competition in Hong Kong. The Competition Ordinance establishes three competition rules, namely the First Conduct Rule, Second Conduct Rule and Merger Rule which prohibit anti-competitive agreements, abuse of market power and anti-competitive mergers and acquisitions respectively.

The First Conduct Rule prohibits businesses from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the agreement concerned has the object or effect to harm competition in Hong Kong. The Second Conduct Rule prohibits businesses with a substantial degree of market power from abusing its power through engaging in conduct that has the object or effect to harm competition in Hong Kong. The Merger Rule forbids mergers between businesses that substantially lessen competition in Hong Kong. The scope of application of the Merger Rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Serious Anti-competitive Conduct is defined under section 2(1) of the Competition Ordinance as any conduct that comprises any one or a combination of the following:

- (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services;
- (ii) allocating sales, territories, customers or markets for the production or supply of goods and services;
- (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods and services;
- (iv) bid-rigging.

It is stated in section 82 of the Competition Ordinance that if the Competition Commission has any reasonable cause to believe that a contravention of the First Conduct Rule has occurred and the contravention does not involve Serious Anti-competitive Conduct, it must issue a warning notice to the undertaking, before bringing proceedings in the Competition Tribunal against the undertaking.

REGULATORY OVERVIEW

However, under section 67 of the Competition Ordinance, where a contravention of the First Conduct Rule has occurred and such contravention involves Serious Anti-competitive Conduct or a contravention of the Second Conduct Rule has occurred, the Competition Commission may, instead of commencing proceedings against the person concerned, issue an infringement notice offering not to bring proceedings on condition that the person commits to comply with the requirements of the infringement notice.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including, amongst others:

- (i) imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule;
- (ii) disqualifying a person from acting as a director of a company or taking part in the management of a company;
- (iii) prohibiting an entity from making or giving effect to an agreement;
- (iv) modifying or terminating an agreement; and
- (v) requiring the payment of damages to a person who has suffered loss or damage.

LAWS EXPECTED TO COME INTO FORCE WHICH MAY IMPACT THE BUSINESS OF THE GROUP

Security of Payment Legislation (“SOPL”) for the Construction Industry

The Hong Kong Government is currently formulating the SOPL to address unfair payment terms, payment delays and disputes in the construction industry. The SOPL purports to encourage fair payment, promote rapid dispute resolution and increase cash flow in the contractual chain.

The Hong Kong Government initiated the SOPL to cover written and oral contracts that involve the supply of construction works, plant and materials in Hong Kong. All construction contracts in the public sector will be covered by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined in the Buildings Ordinance) with a value exceeding HK\$5 million in the private sector will fall under the scope of the SOPL. Where the SOPL is applicable to a main contract, it will automatically apply to all related subcontracts.

It is proposed that the SOPL, after it comes into effect, will:

- (i) prohibit “pay when paid” terms and other similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;

REGULATORY OVERVIEW

- (ii) prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;
- (iii) enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process); and
- (iv) grant parties who have not been paid amounts admitted as due the right to suspend the performance of works until such payment is made.

As at the Latest Practicable Date, the implement date of the SOPL has not been announced.

It is probable that some of the contracts of the Group will be caught by the new SOPL legislation and where such contracts are subject to SOPL, the Group will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual chain to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where SOPL applies, this will have a positive impact on ensuring that the Group get paid in a timely manner. On the other hand, as the Group generally pay the subcontractors within 30 to 60 days, the Directors consider that the payment pattern does not deviate from the SOPL and the payment practice and cash management will not be materially affected by the SOPL if it becomes effective.

II. THE LAWS AND REGULATIONS OF THE PRC

The relevant laws and regulations applicable to the operations and business of the Group's subsidiary in the PRC are set out below:

Laws and Regulations Relating to Company Establishment and Foreign Investment

Incorporation, operation and management of wholly foreign owned enterprise (“WFOEs”)

The establishment, operation and management of a company in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”) which was promulgated by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) (the “**SCNPC**”) on 29 December 1993 and became effective on 1 July 1994. It was last amended on 28 December 2013 and took effect on 1 March 2014. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing the statutory minimum registered capital requirements and the statutory timeframe for the capital contribution. The PRC Company Law also governs foreign-invested limited liability companies and joint stock limited companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

REGULATORY OVERVIEW

The PRC Laws on Wholly Foreign Owned Enterprises (《中華人民共和國外資企業法》) promulgated on 12 April 1986 by the National People’s Congress (the “NPC”) and last amended on 3 September 2016 by the SCNPC and the Implementation Rules of the Wholly Foreign Owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) promulgated by the State Council of the PRC (the “State Council”) on 12 December 1990 and last amended on 19 February 2014, govern the establishment procedures, approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, employment and all other relevant matters of WFOEs. According to the latest amendment to Wholly Foreign Owned Enterprise Law of the PRC on 3 September 2016, foreign-invested enterprise which do not fall within the scope of special administrative measures for foreign investment admission stipulated by the State, approval procedures stipulated in Article 6, Article 10 and Article 20 of the Wholly Foreign Owned Enterprise Law of the PRC shall be changed to the filing procedures.

Pursuant to the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which was promulgated by the Ministry of Commerce on 8 October 2016 and became effective on the same date, Where establishments and changes to a foreign-invested enterprise do not fall within the scope of special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through filling procedures instead of the procedures for approvals. However, where establishments and changes to a foreign-invested enterprise fall within the scope of the special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through procedures for approvals according to the relevant laws and regulations governing foreign investment.

Laws and Regulations Relating to the Catalogue of Industries for Guiding Foreign Investment

Pursuant to the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, any investment conducted by foreign investors and foreign enterprises in the PRC is subject to the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “Guidance Catalogue”), the latest version of which was promulgated by the Ministry of Commerce of the PRC (the “MOFCOM”) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 10 March 2015 and came into effect on 10 April 2015. The Guidance Catalogue provides guidance for market access of foreign capital by categorizing industries into encouraged industries for foreign investment, restricted industries for foreign investment and prohibited industries for foreign investment. Those industries which are not stipulated in the Guidance Catalogue are deemed as “permitted industries for foreign investment”. According to the Guidance Catalogue, the industry in which the Group’s PRC subsidiary engages are categorised as “permitted industries for foreign investment”.

REGULATORY OVERVIEW

Laws and Regulations Relating to Foreign trade, custom and Anti-unfair competition

Foreign trade

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the “**Foreign Trade Law**”) was latest amended on 7 November 2016 and took effect on the same day. Foreign trade mentioned in the Foreign Trade Law refers to the import and export of goods, technologies and international trade in services. According to the Foreign Trade Law, such unfair competition activities as selling the products at unreasonable low prices, colluding with each other in a tender, producing and releasing false advertisements and conducting commercial bribery and others alike are not allowed in foreign trade activities.

Custom

According to the Administrative Provisions of the PRC on Registration of the Customs Declaring Entities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated by the General Administration of Customs of the PRC on 13 March 2014, a declaring entity shall go through the registration procedures at the customs in accordance with these provisions. Registration of declaring entities shall be divided into the registration of declaring enterprises and the registration of consignees or consignors of imported or exported goods.

Anti-unfair competition

The Law of the PRC for Anti-Unfair Competition (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”) was promulgated on 2 September 1993 and took effect from 1 December 1993. According to the Anti-Unfair Competition Law, when trading on the market, operators shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. And acts of operators which contravene the provisions of the Anti-Unfair Competition Law, with a result of damaging the lawful rights and interests of other operators, and disturbing the socio-economic order shall constitute unfair competition. Operators shall not use money or properties or the other methods to bribe others in order to sell or purchase commodities. It shall be guilty of giving bribe if operators give a secret commission to the other organisations or individuals without the normal accounting records. It shall be guilty of taking bribe, if the organisations or individuals accept the secret discount without normal accounting records. Operators may offer a discount to the others in public, or may pay commission to the middle man in selling or purchasing commodities. However, operators who give discount to the others or pay commission to the middle man, or the others who take the discount or commission shall make accounting records strictly according to the facts.

Where an operator commits unfair competition in contravention of the provisions of the Anti-Unfair Competition Law and causes damage to another operator, it or he shall bear the responsibility for compensating for the damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages shall be the profit gained by the infringer during the period of infringement through the infringing act. The infringer shall also bear all reasonable costs paid by the injured operator in investigating the acts of unfair competition committed by the operator suspected of infringing its or his lawful rights and interests.

REGULATORY OVERVIEW

Laws and Regulations Relating to Employment and Social Security

Labour law

Companies in the PRC are subject to the PRC Labour Law (《中華人民共和國勞動法》) (the “**PRC Labour Law**”) which was promulgated by the SCNPC on 5 July 1994, became effective on 1 January 1995 and was further amended on 27 August 2009, the PRC Labour Contract Law (《中華人民共和國勞動合同法》) (the “**PRC Labour Contract Law**”) which was promulgated by the SCNPC on 29 June 2007, became effective on 1 January 2008 and was further amended by the SCNPC on 28 December 2012, and the Implementation Regulations of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council on 18 September 2008 and became effective on the same date, as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time. Compared to previous PRC Laws and regulations, the PRC Labour Contract Law imposes stricter requirements in such respects as signing of labour contracts with employees, stipulation of probation period and violation penalties, termination of labour contracts, payment of remuneration and economic compensation, use of labour dispatches as well as social security premiums.

According to the PRC Labour Law and the PRC Labour Contract Law, a written labour contract shall be concluded when a labour relationship is to be established between an employer and an employee. An employer must pay an employee two times his salary for each month in circumstance where it fails to enter into a written labour contract with the employee for more than a month but less than a year; where such period exceeds one year, the parties are deemed to have entered into an unfix-term labour contract. Companies must pay wages that are not lower than the local minimum wage standards to the employees. Companies are also required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees.

According to the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) which was promulgated by the State Council on 1 October 2002 and came into effect on 1 December 2002, the employers must verify the identification cards of the personnel to be employed and shall not employ any minor under 16 years old.

Social insurance and housing provident funds

The PRC social insurance system is mainly governed by the Social Insurance Law of the PRC (the “**Social Insurance Law**”) (《中華人民共和國社會保險法》). The Social Insurance Law was promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011. According to Social Insurance Law, employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the five basic types of social insurance for their employees, namely, basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

REGULATORY OVERVIEW

According to the Social Insurance Law, if an employing entity does not pay the full amount of social insurance fund contributions on time, the social insurance authority shall order it to pay the outstanding social insurance fund contributions within a prescribed time and impose a daily fine equivalent to 0.05% of the outstanding amount from the date on which the payment is overdue. If the payment is not made within the prescribed time, the social insurance authority shall impose a fine ranging from one to three times of the outstanding social insurance fund contributions.

According to the Regulations on Management of Housing Provident Funds (《住房公積金管理條例》) which was promulgated by the State Council and came into effect on 3 April 1999 and was amended on 24 March 2002, all business entities (including foreign invested enterprises) are required to register with the local administrative centre of housing provident funds and then maintain housing fund accounts with designated banks and pay the related funds for their employees. In addition, for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised if the employer desires.

Laws and Regulations Relating to Foreign Exchange

Foreign exchange

Foreign exchange control in the PRC is mainly regulated by the Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and was last amended on 5 August 2008. According to the aforesaid regulations, RMB can be freely exchanged into foreign currency for payments under current accounts (such as foreign exchange transactions in relation to trade and service and dividends payment), but approval from the relevant foreign exchange administration shall be obtained before the exchange of RMB into foreign currency under the foreign exchange accounts (such as direct investment, loan or stock investment outside the PRC).

Pursuant to the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capitals Settlement of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》) (the “**Circular 19**”), which was promulgated on 30 March 2015 by the State Administration of Foreign Exchange (the “**SAFE**”) and became effective on 1 June 2015, foreign-invested enterprises in the PRC may, according to their business demands, settle with a bank the portion of foreign exchange capital in their capitals account for which the local foreign exchange bureau has confirmed capital contribution rights and interests, and the portion allowed to be settled by a foreign-invested enterprise is tentatively 100%. Furthermore, where foreign-invested enterprises are engaging in equity investment in the PRC, they shall comply with the regulations on reinvestment within the territory of the PRC.

REGULATORY OVERVIEW

Laws and Regulations Relating to Taxation

Enterprise income tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated by the NPC on 16 March 2007, came into effect on 1 January 2008 and was amended on 24 February 2017, and the Enterprise Income Tax Implementation Regulations of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) (the “**EITIR**”) which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, the income tax rate for both domestic and foreign invested enterprises is 25%.

Pursuant to the EIT Law and the EITIR, enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered as “resident enterprises” and are subject to the uniform 25% enterprise income tax rate for their global income.

The EIT Law and the EITIR also provide that the enterprise income tax should be levied at the reduced rate of 20% for qualified “small and thin-profit enterprises”, and the enterprise income tax should be levied at the reduced rate of 15% for “High and New Technology Enterprises” in need of special support by the PRC.

Income tax on share transfer

Pursuant to the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**Notice 698**”) promulgated by the State Administration of Taxation (中華人民共和國國家稅務總局) (the “**SAT**”) on 10 December 2009 and came into effect from 1 January 2008, and the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Announcement No. 7**”) promulgated by the SAT and came into effect on 3 February 2015, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT Law. Indirect transfer of Chinese taxable properties shall mean transactions of non-resident enterprises which are carried out through transfer of equity of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including the Chinese resident enterprises registered abroad, hereinafter referred to as “enterprises abroad”) and other similar equities (hereinafter referred to as “equity”) and cause the concrete results same as or similar to that of direct transfer of Chinese taxable properties, including the circumstance that the restructuring of non-resident enterprises causes changes of shareholders of enterprises abroad. Non-resident enterprises that indirectly transfer Chinese taxable properties are referred to as equity transferor.

REGULATORY OVERVIEW

According to the Announcement No. 7, indirect transfer of Chinese taxable properties that meets all of the following conditions shall be deemed as having a reasonable commercial purpose: (1) the equity relationship of the parties involved in the transfer falls under one of the following circumstances: (i) equity transferor directly or indirectly owns more than 80% of the equity of the equity transferee; (ii) equity transferee directly or indirectly owns more than 80% of the equity of the equity transferor; or (iii) more than 80% of the equity of both equity transferor and equity transferee is owned by the same party. If more than 50% (not including 50%) of the value of the equity of an enterprise abroad is directly or indirectly from the real estate in the territory of China, the proportion in items (i), (ii) and (iii) of Paragraph 1 of this article shall be 100%. The aforesaid equity indirectly held shall be calculated based on the product of the shareholding ratios of all enterprises in the shareholding chain; (2) compared with the same or similar indirect transfer occurred without this indirect transfer, the burden of taxation in China will not be reduced on the indirect transfer that may occur again after this indirect transfer; and (3) equity transferee pays all the equity transfer consideration with its equity or equity of enterprises controlled by it (not including equity of listed enterprises).

Value-added tax (“VAT”)

According to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993, and taking effect on 1 January 1994, which was last amended on 6 February 2016, and the Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance of the PRC on 25 December 1993, became effective on 1 January 1994 and was last amended on 28 October 2011 and became effective on 1 November 2011, all entities and individuals engaging in the sales of goods, the provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC are subject to VAT, and shall pay VAT in accordance with these regulations. The applicable VAT rate for taxpayers selling or importing various goods, providing processing, repairs and replacement services shall be 17 percent, and that for taxpayers exporting goods shall be nil, unless otherwise stipulated.

According to the Measures for the Exemption of Value-Added Tax on Cross-Border Taxable Acts during the Replacement of Business Tax with Value-Added Tax (for Trial Implementation) (《營業稅改徵增值稅跨境應稅行為增值稅免稅管理辦法(試行)》) which was promulgated by the State Administration of Taxation on 6 May 2016, certain taxable acts which comply with the zero tax rate policies but to which the simple tax computation method applies, or for which a declaration has been made for waiving the zero tax rate and choosing tax exemption shall be exempt from VAT, such as research and development services and design services provided to overseas entities and consumed completely abroad.

Withholding tax on dividends

According to the EIT Law and the EITIR, non-resident enterprises which have not set up institutions or premises in the PRC, or which have set up institutions or premises in the PRC but whose income has no actual relationship with such institutions or premises shall be subject to the withholding

REGULATORY OVERVIEW

tax of 10% on their income derived from the PRC. According to the Arrangements between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), promulgated by the SAT and Hong Kong Special Administrative Region on 21 August 2006, dividends paid by a PRC enterprise to a Hong Kong resident may be taxed in the PRC according to the applicable PRC tax laws, and vice versa. Where the beneficial owner of the dividends is a resident of the other side (e.g. dividends of a PRC company paid to a Hong Kong resident), the tax charged shall not exceed: (a) where the beneficial owner is a company directly owning at least 25% of the equity interest of the company which pays the dividends, 5% of the gross amount of the dividends; and (b) in any other case, 10% of the gross amount of the dividends.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied for a taxpayer to be entitled to the tax rate specified in the tax agreement for dividends paid to it by a PRC resident company: (i) the tax fiscal resident of the other side who obtains dividends shall be a company as provided in the tax agreement; (ii) the proportions of the owner's equity interests and voting shares of the PRC resident company directly owned by such tax resident shall comply with the prescribed proportions; and (iii) the proportions of the equity interests directly owned by such tax resident in the PRC resident company shall, at any time within the successive twelve months before obtaining of the dividends, comply with the proportions specified in the tax agreement.

According to the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) (the “**Administrative Measures**”), which was promulgated by the SAT on 27 August 2015 and came into effect on 1 November 2015, if non-resident taxpayers are eligible for the favorable tax treatment under the tax arrangements, they could enjoy such treatment when making tax declarations by themselves or through withholding agents. Under the Administrative Measures, when the non-resident taxpayers or their withholding agents make declarations to the relevant tax authority, they should deliver the relevant reports and materials to the tax authority and such non-resident tax payers and withholding agents will be subject to the follow-up management of the tax authority.

Laws and Regulations Relating to the Intellectual Property Rights

Trademark and Patent

The products in the PRC shall be subject to intellectual property laws, which mainly include the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”), the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”) and the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”).

REGULATORY OVERVIEW

According to the Trademark Law, which was promulgated by the SCNPC on 23 August 1982 and last amended on 30 August 2013 and took effect on 1 May 2014, any of the following acts is an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark which is identical with a registered trademark on the same kind of commodities without a license from the registrant of that trademark; (ii) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark which is identical with or similar to the registered trademark on the similar commodities and mislead the public without a license from the registrant of that trademark, which is likely to cause confusion; (iii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iv) forging or manufacturing without authorisation the marks of a registered trademark, or selling the marks of a registered trademark forged or manufactured without authorisation; (v) changing a registered trademark and putting the commodities bearing the changed trademark into the market without the consent of the registrant of that trademark; (vi) deliberately providing convenience for and helping with the acts infringing upon the exclusive right to use a registered trademark; and (vii) causing other damages to the exclusive right to use a registered trademark of another person.

The Patent Law was promulgated by the SCNPC on 12 March 1984, became effective on 1 April 1985, and was last amended on 27 December 2008, with the latest amendment taking effect on 1 October 2009. According to the Patent Law, patent is divided into three categories: invention patent, utility model patent and design patent. Invention patent is intended to protect new technical solutions proposed for a product, a process or the improvement thereof. Utility model patent is intended to protect new technical solutions proposed for the shape and structure of a product or the combination thereof, which are fit for practical application. Design patent is intended to protect new designs of a product's shape, pattern, the combination thereof, or the combination of colour with shape and pattern, which create an aesthetic feeling and are fit for industrial application. According to the Patent Law, any exploitation of a patent without the authorisation of the patentee constitutes an infringement on the patent right.

Domain Names

The Measures on the Administration of Internet Domain Names of China (《中國互聯網絡域名管理辦法》) was promulgated by the Ministry of Information Industry (now renamed as the Ministry of Industry and Information Technology) on 5 November 2004 and became effective on 20 December 2004. The aforementioned measures regulate the registration of domain names in China with the internet country code of “.cn”. The Measures on Domain Names Dispute Resolution (《中國互聯網絡信息中心域名爭議解決辦法》) was promulgated by the China Internet Network Information Infrastructure Centre and became effective on 1 September 2014. The aforementioned measures require domain name disputes to be submitted to the institutions authorised by the China Internet Network Information Centre for resolution.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 29 November 2016 in preparation for the Listing and is the holding company of the Group. As at the Latest Practicable Date, the subsidiaries of the Group comprised Join Forward, G & M Engineering, G & M Maintenance, G & M Contracting and G & M Design. Details of these subsidiaries and the corporate structure of the Group are set out in the sub-section headed “Establishment and development of the subsidiaries of the Company” in this section.

Prior to the Listing, the Group underwent the Reorganisation and immediately following the completion of the Reorganisation, the entire issued share capital of the Company was owned by Luxury Booming, a company incorporated in the BVI which is owned as to 75% by Mr. Lee and 25% by Mr. Leung.

Immediately following the completion of the Capitalisation Issue and the Share Offer, Luxury Booming will own 75% of the issued share capital in the Company (without taking into account any Share which may be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme).

BUSINESS DEVELOPMENT

The Group’s history can be traced back to 1993, when Mr. Lee and Ms. Ku set up G & M Engineering. To the best knowledge of the Directors, Mr. Lee and Ms. Ku financed G & M Engineering with the personal resources of Mr. Lee and the spouse of Ms. Ku, Mr. Leung, respectively, when it was first established. Pursuant to the Confirmatory Deed Regarding G & M Engineering, Ms. Ku confirmed that she co-founded G & M Engineering at the direction of Mr. Leung and held the issued shares of G & M Engineering registered under her name thereafter for and on his behalf. Such trust arrangement was due to the family arrangement between Ms. Ku and Mr. Leung.

Over the years, along with the incorporation of G & M Maintenance, G & M Contracting and G & M Design, the business of the Group has expanded to include the provision of (i) one-stop design and build solutions; and (ii) repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong.

During the Track Record Period and as at the Latest Practicable Date, G & M Engineering was a Registered Minor Works Contractor with the Buildings Department, and together with G & M Maintenance, were each a Registered Subcontractor with the Construction Industry Council.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Milestones of the Group

The following is a chronological summary of the Group's milestones of its business development:

Year	Milestone
1993	G & M Engineering was incorporated in Hong Kong on 16 November 1993
1999	G & M Engineering was first accredited ISO 9001:2000
2009	G & M Engineering was first accredited ISO 9001:2008
2010	G & M Maintenance was incorporated in Hong Kong on 28 April 2010
2011	G & M Engineering was first registered as a Registered Minor Works Contractor (Classes I, II and III) with the Buildings Department
2013	G & M Contracting was incorporated in Hong Kong on 31 October 2013
2015	G & M Engineering and G & M Maintenance were first registered as Registered Subcontractors with the Construction Industry Council
2016	G & M Design was established in the PRC on 27 January 2016 as a wholly-owned foreign enterprise, the entire equity interest of which is held by G & M Engineering. G & M Design principally engages in the design of aluminium curtain walls, glass walls and aluminium claddings
	The Company was incorporated in the Cayman Islands on 29 November 2016 as part of the Reorganisation for the purpose of the Share Offer

ESTABLISHMENT AND DEVELOPMENT OF THE SUBSIDIARIES OF THE COMPANY

The Company was incorporated in the Cayman Islands under the Companies Law on 29 November 2016 in preparation for the Listing and is the holding company of the Group. As at the Latest Practicable Date, the Group mainly comprised the Company, Join Forward, G & M Engineering, G & M Contracting, G & M Maintenance and G & M Design. Set out below is the brief corporate history of the subsidiaries of the Company.

G & M Engineering

G & M Engineering was incorporated in Hong Kong on 16 November 1993 with limited liability. During the Track Record Period and as at the Latest Practicable Date, G & M Engineering mainly provided (i) one-stop design and build solutions; and (ii) repair and maintenance services for podium facade and curtain wall in Hong Kong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the date of incorporation, G & M Engineering allotted and issued as fully paid one share (representing 50% of the issued shares of G & M Engineering at the time) to each of Mr. Lee and Ms. Ku.

On 18 November 1993, G & M Engineering allotted and issued as fully paid 4,999 shares to each of Mr. Lee and Ms. Ku.

On 11 May 1999, G & M Engineering further allotted and issued as fully paid 495,000 shares to each of Mr. Lee and Ms. Ku. Following the above allotments of shares in 1993 and 1999, the percentage of shareholding interest of each of Mr. Lee and Ms. Ku in G & M Engineering remained unchanged.

Pursuant to the Confirmatory Deed Regarding G & M Engineering, Ms. Ku acknowledged and confirmed that she held all those issued shares of G & M Engineering which were registered under her name for and on behalf of Mr. Leung.

On 24 December 2015, as part of the Reorganisation, Join Forward acquired the entire issued shares of G & M Engineering from Mr. Lee and Ms. Ku (at the direction of Mr. Leung), details of which are set out in the sub-section headed “Reorganisation” in this section. After such transfers of shares, G & M Engineering became wholly-owned by Join Forward.

Upon completion of the Reorganisation, G & M Engineering became an indirect wholly-owned subsidiary of the Company.

G & M Contracting

G & M Contracting was incorporated in Hong Kong on 31 October 2013 with limited liability. During the Track Record Period and as at the Latest Practicable Date, G & M Contracting mainly provided project management services.

As at the date of incorporation, G & M Contracting allotted and issued as fully paid 7,500 shares (representing 75% of the issued shares of G & M Contracting at the time) to G & M Engineering and 2,500 shares (representing 25% of the issued shares of G & M Contracting at the time) to Mr. Lai Kwong Lam Louis, an ex-employee of the Group at the time who subsequently rejoined the Group as a project manager in 2014.

On 24 December 2015, G & M Engineering acquired the entire shareholding interests of Mr. Lai Kwong Lam Louis in G & M Contracting at the consideration of HK\$2,500, details of which are set out in the sub-section headed “Reorganisation” in this section. Following such transfer and up to the Latest Practicable Date, G & M Contracting became a wholly-owned subsidiary of G & M Engineering.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

G & M Maintenance

G & M Maintenance was incorporated in Hong Kong on 28 April 2010 with limited liability. During the Track Record Period and as at the Latest Practicable Date, G & M Maintenance mainly provided repair and maintenance services for podium facade and curtain wall in Hong Kong.

As at the date of incorporation, G & M Maintenance allotted and issued as fully paid 10,000 shares (representing all the issued shares of G & M Maintenance at the time) to Mr. Lee. Notwithstanding that, Mr. Lee and Mr. Leung confirmed and acknowledged that they had collectively managed and controlled G & M Maintenance through G & M Engineering and as such, G & M Engineering shared its office premises, accounting system, human resources management and information technology system with G & M Maintenance during the Track Record Period. Details of the control of G & M Maintenance through G & M Engineering are set out in the sub-section headed “High degree of integration and interconnections between G & M Maintenance and G & M Engineering” in this section.

On 4 March 2013, Mr. Lee transferred 2,000 shares of G & M Maintenance to Mr. Chan. The said transfer had been properly and legally completed and settled. Following such transfer, G & M Maintenance was owned as to 80% by Mr. Lee and 20% by Mr. Chan.

As part of the Reorganisation, on 1 February 2016, Mr. Chan transferred his entire shareholding interest in G & M Maintenance to Mr. Lee at the consideration of HK\$1,400,000, details of which are set out in the sub-section headed “Reorganisation” in this section. Following such transfer, G & M Maintenance became wholly owned by Mr. Lee while Mr. Chan ceased to have any shareholding interest in G & M Maintenance thereafter.

Subsequently, on 26 April 2016, Join Forward acquired 10,000 shares of G & M Maintenance (representing all the issued shares of G & M Maintenance at the time) from Mr. Lee at the consideration of HK\$7,000,000, details of which are set out in the sub-section headed “Reorganisation” in this section. Following such transfer, G & M Maintenance became wholly owned by Join Forward.

Upon completion of the Reorganisation, G & M Maintenance became an indirect wholly-owned subsidiary of the Company.

High degree of integration and interconnections between G & M Maintenance and G & M Engineering

There was a high degree of integration and interconnections between G & M Maintenance and G & M Engineering as evidenced by the following:

- (i) G & M Engineering provided financial support to G & M Maintenance at the commencement of G & M Maintenance’s operation and as a result thereof, G & M Maintenance was indebted to G & M Engineering for each of the financial years ended 31 March 2011, 2012 and 2013. During the Track Record Period, G & M Maintenance was

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

dependent on G & M Engineering as approximately 80% of its revenue was generated from the contracts of G & M Engineering. For each of the three years ended 31 December 2016, the revenue of G & M Maintenance which was derived from providing services to G & M Engineering amounted to approximately HK\$14.0 million, HK\$8.7 million and HK\$6.3 million respectively, representing approximately 87.5%, 81.5% and 77.8% respectively of the total revenue of G & M Maintenance during the corresponding periods;

- (ii) Since the incorporation of G & M Maintenance and up to 2012, the operation of G & M Maintenance was fully supported by the staff of G & M Engineering. G & M Maintenance only started engaging its own staff members in late 2012;
- (iii) G & M Maintenance only maintained a limited number of staff members since late 2012. During the Track Record Period, the operation of G & M Maintenance had been largely supported by G & M Engineering, including but not limited to the sharing of office premises and the back-office supporting services such as accounting system, human resources management and information technology services with G & M Engineering; and
- (iv) Mr. Lee and Mr. Leung were involved in the management of both G & M Maintenance and G & M Engineering. Subsequently in 2013, in consideration of the employment of staff members in G & M Maintenance, after due consideration, Mr. Lee and Mr. Leung decided to transfer 20% of Mr. Lee's shares in G & M Maintenance to Mr. Chan and appointed Mr. Chan as a marketing manager of G & M Maintenance in order to develop and maintain relationship with the then customers, suppliers and subcontractors as well as the operation of G & M Maintenance.

Despite the difference in the respective legal ownership in G & M Maintenance and G & M Engineering, Mr. Lee and Mr. Leung have had a mutual understanding and arrangement to act in concert with each other in exercising their respective powers, irrespective of the capacities as directors and/or shareholders of such companies, to collectively control and manage these two companies. As evidenced by internal meeting minutes of G & M Maintenance and G & M Engineering, matters relating to the operations and major development of G & M Maintenance's business were duly considered by Mr. Lee and Mr. Leung after discussion if necessary, where business decisions were made by Mr. Lee and Mr. Leung mutually, including but not limited to the following:

- (i) In 2012, Mr. Lee and Mr. Leung collectively decided that G & M Maintenance had to undertake the subcontracted maintenance works from G & M Engineering at a discount of the awarded contract sum. The terms were reviewed by both Mr. Lee and Mr. Leung from time to time since then;
- (ii) In 2012, Mr. Lee and Mr. Leung collectively decided that G & M Maintenance had to provide labour and technical support to perform the maintenance work during defect liabilities period and warranty period of G & M Engineering's projects. The terms were reviewed by both Mr. Lee and Mr. Leung from time to time since then;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (iii) In 2012, Mr. Lee and Mr. Leung collectively decided that G & M Maintenance had to provide labour to G & M Engineering on a cost plus basis upon request. The terms were reviewed by both Mr. Lee and Mr. Leung from time to time since then; and
- (iv) In 2013, Mr. Lee and Mr. Leung collectively decided to transfer 20% of shares of G & M Maintenance, which were under the name of Mr. Lee at the material time, to Mr. Chan and appoint Mr. Chan as a marketing manager of G & M Maintenance in order to develop and maintain relationship with the then customers, suppliers and subcontractors as well as the operation of G & M Maintenance.

Based on the above, each of G & M Engineering and G & M Maintenance is currently, and was throughout the Track Record Period, ultimately controlled by Mr. Lee and Mr. Leung collectively.

On 9 January 2017, Mr. Lee and Mr. Leung entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Group during the Track Record Period and will continue the same as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the sub-section headed “Parties acting in concert” in this section.

G & M Design

G & M Design was established in the PRC as a wholly foreign-owned enterprise on 27 January 2016, with a registered capital of HK\$1,000,000 which has been fully contributed by G & M Engineering. Since its incorporation and up to the Latest Practicable Date, the scope of operation of G & M Design mainly includes design aluminium curtain walls, ceiling, glass curtain walls and aluminium composite panel etc.

Since incorporation and up to the Latest Practicable Date, G & M Design was wholly owned by G & M Engineering.

Join Forward

Join Forward was incorporated with limited liability under the laws of the BVI on 3 November 2015. It was incorporated to serve as an intermediate holding company of the Group.

As at the date of incorporation, Join Forward was authorised to issue a maximum of 50,000 shares of a single class with a par value of USD1.00 each. No subscriber share was allotted or issued on the date of incorporation. On 4 December 2015, one share (representing 50% of the issued shares of Join Forward at the time) was allotted and issued as fully paid to each of Mr. Lee and Ms. Ku.

As part of the Reorganisation, on 24 December 2015, in consideration of acquiring the entire issued shares of G & M Engineering from Mr. Lee and Ms. Ku, Join Forward allotted and issued as fully paid one share to each of Mr. Lee and Ms. Ku.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pursuant to the Confirmatory Deed Regarding Join Forward, Ms. Ku acknowledged and confirmed that she held all those issued shares of Join Forward which were registered under her name for and on behalf of Mr. Leung.

On 31 December 2015, Ms. Ku (at the direction of Mr. Leung) transferred one share of Join Forward (representing 25% of the issued shares of Join Forward at the time) to Mr. Lee at the consideration of HK\$40,000,000, details of which are set out in the sub-section headed “Reorganisation” in this section. After such transfer, Join Forward was legally and beneficially owned as to 75% by Mr. Lee and legally owned as to 25% by Ms. Ku on trust for Mr. Leung.

Subsequently, on 9 January 2017, Ms. Ku, at the direction of Mr. Leung, transferred the legal title of the remaining one issued share of Join Forward which was registered under her name and held on trust for Mr. Leung, back to Mr. Leung at par. For further details, please refer to the sub-section headed “Reorganisation” in this section. After such transfer, Join Forward was legally and beneficially owned as to 75% by Mr. Lee and 25% by Mr. Leung.

On 12 May 2017, pursuant to the Reorganisation Agreement, Mr. Lee and Mr. Leung transferred their entire shareholding interests in Join Forward to the Company. For details, please refer to the sub-section headed “Reorganisation” in this section. After such transfer and upon completion of the Reorganisation, Join Forward became a wholly-owned subsidiary of the Company.

All of the share transfers mentioned above in this section have been properly and legally completed and settled.

PARTIES ACTING IN CONCERT

On 9 January 2017, the ultimate Controlling Shareholders, namely Mr. Lee and Mr. Leung entered into the Concert Parties Confirmatory Deed to acknowledge and confirm that:

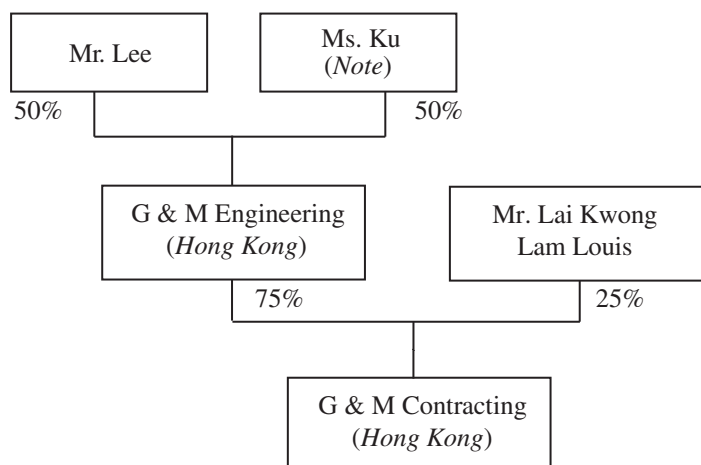
- (a) amongst each of them that they are parties acting in concert in respect of each of the members of the Group (collectively the “**Relevant Companies**”) since the date they both hold direct or indirect shareholding interests in such Relevant Company, which shall continue the same as at and after the date of the Concert Parties Confirmatory Deed;
- (b) they shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Relevant Companies;
- (c) they shall continue to cast unanimous vote collectively for or against all resolutions in all meetings and discussions of the Relevant Companies;
- (d) they shall continue to cooperate with each other to obtain and maintain the consolidated control and the management of the Relevant Companies; and
- (e) they shall obtain written consent from each other in advance of purchasing, selling, pledging or creating any right to acquire or dispose of any securities of the Company and/or any of the Relevant Companies.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

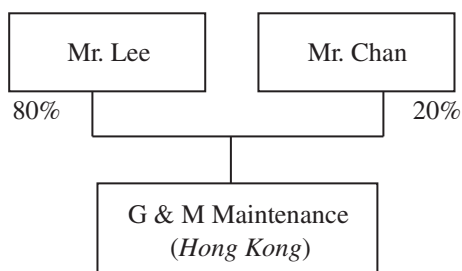
Prior to the Reorganisation, the structure of the Group was as follows:

A. G & M Engineering and G & M Contracting



Note: Pursuant to the Confirmatory Deed Regarding G & M Engineering, Ms. Ku acknowledged and confirmed that she held in aggregate 50% of the issued shares of G & M Engineering registered under her name in trust for and on behalf of Mr. Leung.

B. G & M Maintenance



Corporate restructuring

To rationalise the Group's structure in preparation for the Listing, the Group underwent various corporate restructuring as more particularly described as follows:

1. Join Forward was incorporated in the BVI with limited liability on 3 November 2015 and was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. No subscriber share was allotted or issued on the date of incorporation. On 4 December 2015, one subscriber share (representing 50% of the issued shares of Join Forward at the time) was allotted and issued as fully paid to each of Mr. Lee and Ms. Ku.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2. On 24 December 2015, G & M Engineering acquired the entire shareholding interests of Mr. Lai Kwong Lam Louis in G & M Contracting (representing 25% of the issued shares of G & M Contracting at the time) at the consideration of HK\$2,500. The consideration was agreed between the parties on arm's length basis and determined with reference to the issued share capital of G & M Contracting.
3. On 24 December 2015, Mr. Lee and Ms. Ku (at the direction of Mr. Leung) transferred their entire shareholding interests in G & M Engineering to Join Forward. In consideration, thereof, Join Forward allotted and issued as fully paid one share to each of Mr. Lee and Ms. Ku. Such transfers were properly and legally completed and settled. Following the completion of the above transfers of shares, G & M Engineering became a wholly-owned subsidiary of Join Forward.
4. On 31 December 2015, Ms. Ku (at the direction of Mr. Leung) transferred one share of Join Forward (representing 25% of the issued shares of Join Forward at the time) to Mr. Lee at the consideration of HK\$40,000,000. The consideration was arrived at after arm's length negotiations between Mr. Lee and Ms. Ku (who acted under the direction of Mr. Leung) with reference to the valuation of the Group's business against market comparable based on its financial statements made up to 30 September 2015.
5. On 27 January 2016, G & M Design was established in the PRC as a wholly foreign-owned enterprise, with a registered capital of HK\$1,000,000 to be contributed fully by G & M Engineering.
6. On 1 February 2016, Mr. Lee acquired from Mr. Chan his entire shareholding interests in G & M Maintenance at the consideration of HK\$1,400,000. The consideration was arrived at after arm's length negotiation between Mr. Lee and Mr. Chan and with reference to the valuation of G & M Maintenance's business against market comparable based on its financial statements made up to 30 September 2015. The said transfer had been properly and legally completed and settled. Following such transfer, G & M Maintenance became wholly owned by Mr. Lee while Mr. Chan ceased to have any shareholding interests in G & M Maintenance thereafter.
7. On 26 April 2016, Join Forward acquired 10,000 shares of G & M Maintenance (representing all the issued shares of G & M Maintenance at the time) from Mr. Lee at the consideration of HK\$7,000,000. The consideration was arrived at after arm's length negotiation between Join Forward and Mr. Lee with reference to the net asset value of G & M Maintenance as at 31 December 2015. Following such transfer, G & M Maintenance became a wholly-owned subsidiary of Join Forward.
8. The Company was incorporated in the Cayman Islands on 29 November 2016 as an exempted company with limited liability under the Companies Law. As at the time of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one nil paid Share was allotted and issued to a subscriber, which was transferred to Luxury Booming on the same date.

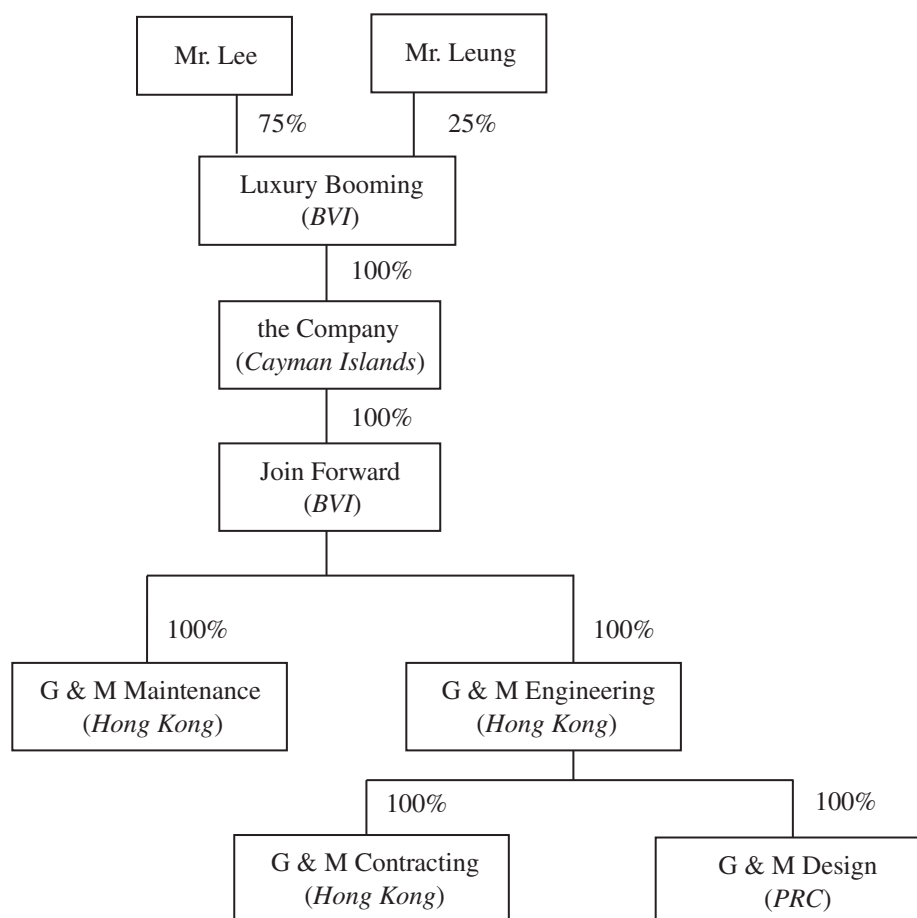
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

9. On 9 January 2017, Ms. Ku, at the direction of Mr. Leung, transferred the legal title of the remaining one share of Join Forward which was registered under her name and held on trust for Mr. Leung, back to Mr. Leung at par. The said transfer had been properly and legally completed and settled. After such transfer, Join Forward was owned as to 75% by Mr. Lee and 25% by Mr. Leung.

10. On 9 January 2017, Luxury Booming allotted and issued as fully paid two shares to Mr. Lee and one share to Mr. Leung.

11. On 12 May 2017, pursuant to the Reorganisation Agreement, the Company acquired the entire issued shares of Join Forward from Mr. Lee and Mr. Leung. In consideration thereof, (i) at the direction of Mr. Lee and Mr. Leung, the Company allotted and issued as fully paid three Shares to Luxury Booming; and (ii) the one nil paid subscriber Share held by Luxury Booming was credited as fully paid. The said transfers had been properly and legally completed and settled. After such transfer, Join Forward became a wholly-owned subsidiary of the Company.

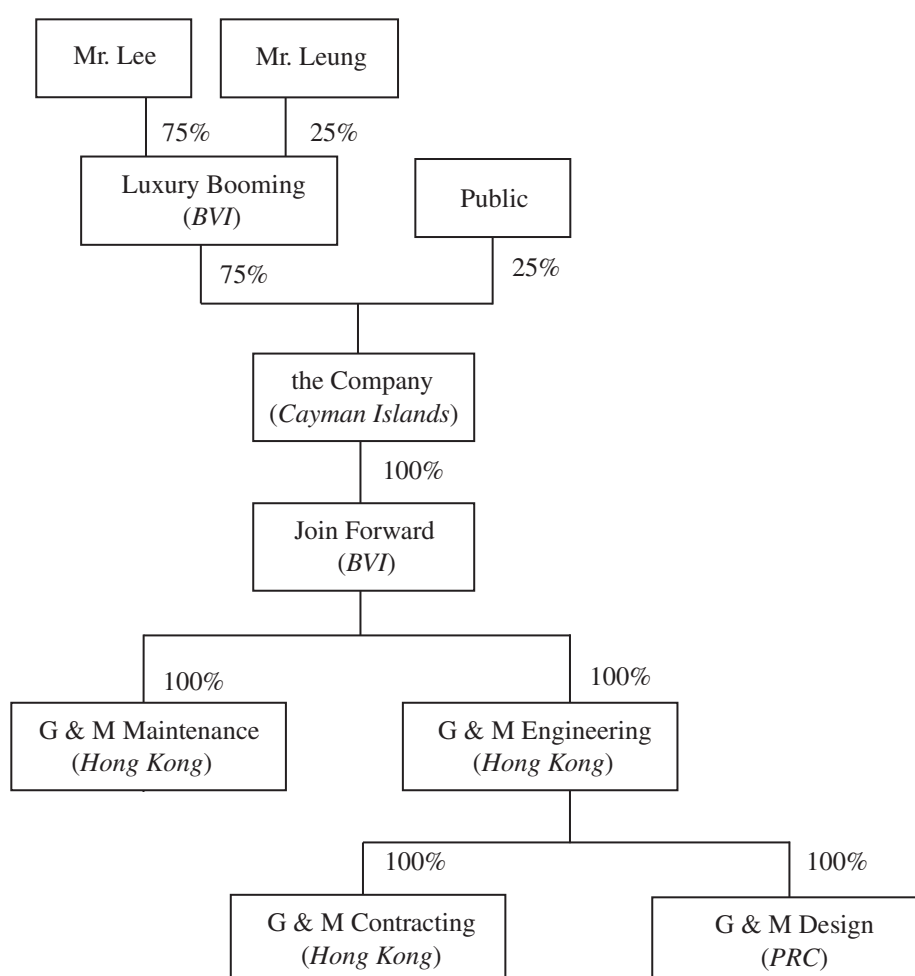
Upon completion of the Reorganisation set out above, the Company became the holding company of the Group. The following chart sets out the shareholding and corporate structure of the Group immediately after the Reorganisation but prior to completion of the Share Offer and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Conditional on the share premium account of the Company being credited as a result of the Share Offer, certain amounts standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full such number of Shares for allotment and issue to Luxury Booming prior to the commencement of the trading and dealing of the Shares on the Stock Exchange, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by Luxury Booming, will constitute not more than 75% of the total issued share capital of the Company.

The following chart sets forth the shareholding structure of the Group immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

The Group is a subcontractor that focuses on providing podium facade and curtain wall works in Hong Kong with a history of over 20 years. The services provided by the Group mainly include one-stop design and build solutions in relation to podium facade and curtain wall works. To a lesser extent, the Group also provides repair and maintenance services. During the Track Record Period, the Group generally undertook design and build projects as a subcontractor and all of the Group's revenue was derived from Hong Kong. The Group's customer types generally include main contractor, property developer, commercial enterprise and public body.

For each of the three years ended 31 December 2016, the Group's revenue was mainly derived from design and build projects while the remaining was generated from repair and maintenance works. The following table sets forth a breakdown of the Group's revenue during the Track Record Period by types of services:

	Year ended 31 December					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Design and build projects						
- Podium facade and related works	121,332	80.2	195,998	89.6	242,306	88.5
- Curtain wall works	<u>16,252</u>	<u>10.7</u>	<u>13,998</u>	<u>6.4</u>	<u>24,749</u>	<u>9.0</u>
Sub-total	137,584	90.9	209,996	96.0	267,055	97.5
Repair and maintenance services	<u>13,720</u>	<u>9.1</u>	<u>8,824</u>	<u>4.0</u>	<u>6,857</u>	<u>2.5</u>
Total	<u><u>151,304</u></u>	<u><u>100.0</u></u>	<u><u>218,820</u></u>	<u><u>100.0</u></u>	<u><u>273,912</u></u>	<u><u>100.0</u></u>

One-stop design and build solution services

Being a one-stop design and build solution services provider for podium facade and curtain wall, the services undertaken by the Group in a typical design and build project mainly include developing facade or curtain wall system design, structural calculation and shop drawings, sourcing and procurement of materials, arrangement for material fabrication and processing, installation works and post-completion maintenance services for the relevant works performed by the Group and/or its subcontractors within the defects liability period and the warranty period. The Group is also responsible for the overall project management. Please refer to the sub-section headed "Operating procedures — Design and build projects" in this section for details of the major steps involved in a typical design and build project.

BUSINESS

G & M Engineering, a member of the Group, is a Registered Minor Works Contractor with the Buildings Department. Design and build projects undertaken by the Group during the Track Record Period can be broadly divided into two categories, namely (i) podium facade and related works; and (ii) curtain wall works. For each of the three years ended 31 December 2016, the Group undertook 21, 25 and 23 design and build projects, contributing approximately HK\$137.6 million, HK\$210.0 million and HK\$267.1 million to the Group's revenue, respectively.

The following table sets forth a breakdown of the Group's design and build projects based on their scales of respective revenue recognition during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognition during the year			
HK\$40,000,000 or above	—	1	1
HK\$20,000,000 to below HK\$40,000,000	2	3	4
HK\$10,000,000 to below HK\$20,000,000	2	1	4
HK\$5,000,000 to below HK\$10,000,000	3	4	3
HK\$1,000,000 to below HK\$5,000,000	8	11	8
Below HK\$1,000,000	6	5	3
Total	<u>21</u>	<u>25</u>	<u>23</u>

During the Track Record Period, the Group completed a total of 20 design and build projects, of which 17 projects were related to podium facade and related works and three projects were related to curtain wall works. As at 31 December 2016, the Group had a total of 11 design and build projects on hand, with an aggregate value of approximately HK\$435.4 million. As at 31 March 2017, the Group had 10 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have engagement confirmed but not yet commenced, with an aggregate awarded contract sum of approximately HK\$519.2 million. For details on the Group's latest development, please refer to the section headed "Summary — Recent development" in this prospectus.

Repair and maintenance services

The Group also provides repair and maintenance services for podium facade and curtain wall in Hong Kong. Such repair and maintenance works undertaken by the Group for podium facade and curtain wall mainly include repair or replacement of damaged components such as aged sealant, gasket and window hardware; repair and maintenance works for glazing panel and glazing frame; as well as provision of inspection and consultancy services on maintenance works.

BUSINESS

During the Track Record Period, the Group's revenue generated from repair and maintenance services amounted to approximately HK\$13.7 million, HK\$8.8 million and HK\$6.8 million, respectively, representing approximately 9.1%, 4.0% and 2.5% of the Group's total revenue, respectively.

COMPETITIVE STRENGTHS

The Directors believe that there are several competitive strengths that set the Group apart from its competitors and enable the Group to continue its growth and enhance its profitability. Such competitive strengths include:

Well-established reputation with solid track record in the podium facade and curtain wall works industry in Hong Kong

Founded in 1993, the Group has accumulated over 20 years' experience in the podium facade and curtain wall works industry in Hong Kong. G & M Engineering, a member of the Group, is a Registered Minor Works Contractor with the Buildings Department. During the Track Record Period, the Group completed a total of 20 design and build projects, of which 17 projects were related to podium and facade and related works and three projects were related to curtain wall works. As at 31 March 2017, the Group had 10 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have engagement confirmed but not yet commenced, with an aggregate awarded contract sum of approximately HK\$519.2 million.

According to the Ipsos Report, the Group ranked second in terms of the revenue of the podium facade works industry in Hong Kong in 2015 with a market share of approximately 18.0%. In view of the above and the Group's operating history, the Directors believe that the Group has built a good reputation and has a solid track record in the podium facade and curtain wall works industry in Hong Kong.

Based on the above, the Directors are of the view that the Group's well-established reputation and proven track record in the podium facade and curtain wall works industry in Hong Kong differentiate the Group from its competitors, which is crucial to the future development and business expansion of the Group.

Long-term business relationships with some of the Group's major customers

The Group's customer types generally include main contractor, property developer, commercial enterprise and public body. During the Track Record Period, the Group has maintained business relationships with a majority of the Group's top five customers of 10 or over 10 years. The Directors are of the view that the Group's operating history, together with its continuous business relationship with its major customers, demonstrate a strong rapport between the Group and its major customers which in turn would increase the Group's recognition and visibility in the market and enable the Group to attract potential business opportunities.

BUSINESS

The Directors believe that customers' satisfaction is a fundamental factor to maintain good and long-term rapport between the Group and its customers, which enables the Group to secure projects from these existing customers in the future.

Stable business relationships with the Group's major suppliers and subcontractors

The Group has over 20 years of operating history in the podium facade and curtain wall works industry in Hong Kong. Throughout this period, the Group has built a stable pool of suppliers and subcontractors. The Group maintains internal lists of approved suppliers and subcontractors, which are updated on a continual basis. For further details of the basis for selection of suppliers and subcontractor, please refer to the sub-sections headed "Suppliers — Basis of selection of suppliers" and "Subcontractors — Basis of selection of subcontractors" in this section.

The Directors consider that having a stable supply of materials and labour allows the Group to effectively maintain the quality of its works, including the material and products used and the performance of subcontractors, which is a crucial factor for the Group to secure new business opportunities and maintain good reputation within the industry.

Experienced project management team and key personnel

The Directors consider that the Group's project management team possesses the requisite industry knowledge and management experience in project execution and expertise in the podium facade and curtain wall works industry. Each of the executive Directors, Mr. Lee and Mr. Chan, has more than 20 years' of experience in the podium facade and curtain wall works industry in Hong Kong. Please refer to the section headed "Directors and senior management" in this prospectus for further details of the biographies and relevant industry experiences.

As at the Latest Practicable Date, the Group's project management team consisted of 23 members. Out of the 23 members, 21 possess higher diplomas or above in related disciplines. The Directors believe that the expertise, experience and industry knowledge of the Group's project management team, together with other skilled employees, play critical roles in delivering up to standard works for its design and build projects.

One-stop design and build solution services provider for podium facade and curtain wall

The Group provides one-stop design and build solutions to its customers ranging from developing facade or curtain wall system design, structural calculation and shop drawings, sourcing and procurement of materials, arrangement for material fabrication and processing, installation works and post-completion maintenance services for the relevant works performed by the Group and/or its subcontractors within the defects liability period and the warranty period. The Group is also responsible for overall project management.

BUSINESS

In order to ensure the quality of the Group's works, a project management team will be formed for each design and build project of the Group and a project manager will be assigned to oversee the project. The assigned project manager will communicate with the customer from time to time throughout the project. The Directors consider that since the Group is involved in every stage of a design and build project, the Group can effectively monitor the progress of the projects and minimise the possibility of having significant deviation from the original design provided to its customers. On the other hand, customers of the Group would be able to reduce time and financial cost in searching for and engaging different parties to provide the different types of services at each stage of a project.

BUSINESS STRATEGIES

The Group aims to expand its scale of operation and further strengthen its market position and overall competitiveness in the podium facade and curtain wall works industry in Hong Kong. The Directors intend to pursue the following key strategies to achieve the Group's future expansion plans:

Further expanding the Group's capacity to undertake more design and build projects

The Group plans to further expand its capacity in order to undertake more design and build projects to expand its podium facade and curtain wall businesses. According to the Ipsos Report, there has been a general trend for the separation of the building skin from the structure, which has led to podium facade and curtain wall works industry becoming a distinct sub sector of the construction industry. The revenue of the podium facade and curtain wall works industry is expected to continue its rising trend from approximately HK\$5,254.1 million in 2016 to approximately HK\$6,265.0 million in 2020, at a CAGR of approximately 4.5%. Such growth is mainly driven by the increase of land supply for public and private residential buildings under the development plan for North East New Territories New Development Areas and conversion of Government properties into commercial use. As such, the Directors are of the view that the aforesaid Government's policy will continue to fuel the growth of the podium facade and curtain wall works industry in the near future which justify the Group's expansion plan to compete for more sizeable projects in terms of contract sum by expanding its capacity and scale.

The Directors believe that the Group's capacity in undertaking projects depends on the amount of available working capital and cash flow. It is common in the construction industry that the Group incurs net cash outflows at the early stage of its project since the Group typically requires to pay the start-up costs, such as materials costs, subcontracting charges and insurance expenses, in advance of payment from its customers, whereas the customers normally make progress payments to the Group after the works have commenced and/or completed. Based on the experience of the Directors, according to the nature and specification of each project, the Group may generally incur maximum net cash outflows of approximately 23% to 28% of the contract sum at the early stage of its projects, particularly where the Group acts as a nominated subcontractor for the projects, and the customers generally make the first progress payment to the Group not until approximately five to seven months after the commencement of the relevant projects. Furthermore, the Group's customers generally withhold usually 10% of each interim payment up to an aggregate of usually 5% of the total contract sum as retention money, which will only be fully released to the Group subsequent to the expiry of the defect liability period.

BUSINESS

For each of the three years ended 31 December 2016, the Group incurred aggregate upfront payments to its material suppliers of approximately HK\$4.5 million, HK\$4.4 million and HK\$56.2 million, respectively. During the Track Record Period, the Group obtained banking facilities and internal resources to finance the upfront payments. Although the Group has obtained banking facilities from a few banks, the Directors believe that it is necessary to maintain a disciplined financial strategy without exposing the Group to aggressive gearing in order to achieve sustainable growth in the long run; and a cash level sufficient to support the Group's existing operations. During the Track Record Period, the Group had declined or did not respond to approximately 36, 41 and 18 invitations from customers to tender mainly attributable to the overlapping in the work progress of various major jobs and the limitations of the Group's internal resources for allocation amongst these jobs simultaneously. The Directors consider that the number of projects that the Group is able to undertake hinges on the availability of the Group's operational and human resources and the available working capital. To allow the Group to undertake more new projects with larger scale in terms of contract sum and reduce the number of projects turned down for tender, the Directors intend to apply part of the net proceeds from the Share Offer to strengthen the Group's available financial resources. The Group intends to utilise approximately HK\$32.7 million of the net proceeds for upfront payments to the material suppliers, out of which (i) approximately HK\$23.2 million will be earmarked for the potential sizeable project with an estimated contract sum of approximately HK\$80.0 million which is expected to be awarded in the second quarter of 2017 (the "**Curtain Wall Project**"); and (ii) approximately HK\$9.5 million will be earmarked for any new potential projects. With such allocation of net proceeds from the Share Offer, the Group's working capital pressure would be greatly relieved and the Group will be effectively equipped with larger capacity to undertake more sizeable projects so as to capture the growth in the industry.

Further strengthening the Group's capital base for the issue of surety bonds

For construction projects in Hong Kong, it is not uncommon for customers to require contractors to take out surety bonds which usually amounts to approximately 10% of the total contract sum to ensure a contractor's due performance. The surety bond requirement may result in the lock-up of a portion of the Group's capital during the term of the surety bond and therefore affects its liquidity position.

During the Track Record Period, the Group had undertaken projects that require the provision of surety bonds. As at 31 December 2014, 2015 and 2016, the Group's utilised banking facilities for the issuance of surety bonds amounted to approximately HK\$10.9 million, HK\$8.0 million and HK\$27.8 million, respectively. The Group intends to utilise a portion of the net proceeds from the Share Offer to satisfy the surety bond requirement for future contracts, thereby allowing the Group to undertake projects of larger contract value. To achieve this business strategies, the Group intends to utilise approximately HK\$8.1 million and HK\$6.7 million of the net proceeds from the Share Offer for satisfying the bond requirements of the Curtain Wall Project and any potential new projects in near future, respectively. The Directors believe that the net proceeds from the Share Offer will strengthen the Group's available financial resources, thereby allowing the Group to undertake more projects of larger contract value by applying a portion of the proceeds for satisfying the surety bond requirements of its customers and potential customers.

BUSINESS

Based on (i) the maximum cash outflows at the early stage of the Group's design and build projects of approximately 28% of the contract sum; and (ii) typical surety bond requirement of approximately 10% of the total contract sum, the estimated aggregate contract value of projects that can be undertaken by the Group by applying approximately HK\$47.5 million of the net proceeds for further expanding the Group's capacity to undertake more design and build projects would be approximately HK\$125.0 million.

Further expanding the Group's manpower for project execution and strengthening the skills of staff

During the Track Record Period, the Group recorded continuous growth in revenue from approximately HK\$151.3 million for the year ended 31 December 2014 to approximately HK\$273.9 million for the year ended 31 December 2016 while the number of the Group's employees increased from 44 as at 31 December 2014 to 73 as at 31 December 2016. The increase in the Group's revenue was mainly attributable to the Group's effort in pursuing projects of relatively larger scale in term of contract sum during the Track Record Period whereas the increase in staff number was mainly because the Group set up a new design office in Shenzhen during the year ended 31 December 2016.

The Group secures new businesses mainly through direct invitation for tendering by customers and the Directors will take into account, amongst others, the Group's projects on hand; the availability of the Group's financial and human resources; and scale of projects as factors in considering the tender submission. The Directors believe that a strong team of staff members equipped with industry knowledge and experience in the podium facade and curtain wall businesses is crucial to the Group's continuing success. In addition, all the Group's projects require the involvement of project management team at various stages, such as assessment of potential projects, preparation and submission of tenders, project planning and administration, project implementation and quality control. While the senior management team plays an important role in different stages of a project, the Group's capacity to take up and execute projects is largely determined by the capacity of the Group's project management team. To cope with the Group's business development and expansion plan as mentioned above, the Group intends to enhance its capacity by recruiting an additional four experienced and skilled project management staff and five supporting staff for design and build projects; and three experienced supporting staff for maintenance works. In view of the expansion of project management team and tenancy agreement of a leased properties will be expired in December 2017, the Group intends utilise a portion of net proceeds from the Share Offer to rent new office in Hong Kong.

In order to cope with the Group's expansion plan as aforementioned, the Directors intend to expand its office in Shenzhen and it is the current intention of the Group to rent a new premises for its new office. The Group will also recruit an additional five designers and three relevant supporting staff to further enhance the Group's design capabilities as well as to assist the Group's design team in Hong Kong in preparing the shop drawings and fabrication drawings, and quality control of suppliers.

BUSINESS

During the Track Record Period, the number of design and build projects awarded to the Group with an awarded contract sum of over HK\$100,000,000 increased from nil for each of the two years ended 31 December 2015 to two for the year ended 31 December 2016. In view of (i) larger scale projects generally involve more structural calculations, shop drawings and fabrication drawings during the course of project planning; (ii) the Group intends to allocate the relatively less complicated fabrication drawing works to the Shenzhen design office to reduce staff costs; (iii) the current size of Shenzhen design team can merely support the Group's existing business scale of operation, but is not adequate for the Group's expansion plan to undertake more sizeable design and build projects; (iv) it would be more cost-effective for the Group to recruit a team of draftsmen in the PRC in the long run given the rental costs and staff costs are comparatively lower than that in Hong Kong; (v) it would be more efficient to carry out design works by Shenzhen design team than to engage independent third parties to conduct such works as the Group is able to monitor and manage the delivery time and quality of design works, thereby maximising its operational efficiency; (vi) the expansion of the Shenzhen design office will enhance the Group's design capabilities to undertake more sizeable projects that generally require more extensive and detailed drawings; and (vii) it is the Group's business strategy to undertake more sizeable projects to capture the growth of the podium facade and curtain wall works industry in Hong Kong, the Directors therefore consider that the expansion of the Shenzhen design office will support the Group's business expansion in the long run which justifies the Group's business strategies.

The initial staff cost are estimated to be approximately HK\$3.8 million, HK\$8.0 million and HK\$1.8 million for each of the two years ending 31 December 2018 and the six months ending 30 June 2019, respectively. The aforementioned proceeds of approximately HK\$16.3 million for further expanding the Group's manpower will cover the respective staff costs for a period of approximately 20 to 22 months. The total expenditure and rental for setting up new offices in Hong Kong and Shenzhen are expected to be approximately HK\$1.4 million and HK\$1.3 million, respectively.

Furthermore, the Group intends to provide more training to its relevant staff and make arrangements for them to attend technical seminars and occupational health and safety courses so as to improve their safety awareness, quality of services and industry know-how. Such training courses would include internal training as well as courses organised by external parties and training institutions.

Further enhancing the Group's operational efficiency and technical capability by acquiring additional machinery and equipment

In a design and build project, the Group will subcontract the installation works to other subcontractor(s) and source the required machinery and equipment to support the subcontractor(s) for handling building materials as well as execution of the works. Such machinery and equipment are usually provided by the subcontractors as specified in the subcontracting agreement, the cost of which are included in the subcontracting charges. To cope with the continuous growth in business scale and enhance the Group's competitiveness, the Group purchased a vacuum lifter glazing robot in order to support the installation works carried out by the subcontractors so as to increase the Group's operational efficiency during the year ended 31 December 2016.

BUSINESS

The Directors believe that acquisition of additional machinery and equipment will allow the Group to: (i) manage the timeline of each project efficiently due to the immediate availability of relevant machinery and equipment; (ii) enhance its works efficiency and technical capability; (iii) increase its flexibility to deploy the resources more efficiently; (iv) to cope with its business development plan to undertake more sizeable projects in the future as discussed above; and (v) minimise the machinery and equipment rental costs in the long run. In this connection, the Group intends to allocate (i) approximately HK\$1.05 million for purchasing certain machines and equipment that are required for the Group's curtain wall business, including two loading/unloading platforms, one set of monorail and winch gear, one silicone sealant mixer and filling machine and various auxiliary equipment; and (ii) approximately HK\$2.05 million for purchasing certain machines and equipment that are required for the Group's podium and facade business, including two sets of mobile scaffolding tower and electric scissor lifts, one set of spider crane and one pickup truck. The expected capital expenditure for the acquisition of the aforesaid machinery and equipment will be approximately HK\$3.1 million which will be financed by the net proceeds from the Share Offer.

In addition to the above, the Group intends to allocate approximately HK\$0.3 million for purchasing computers to cope with its business expansion and approximately HK\$1.7 million to strengthen its operational efficiency by upgrading various computer software for design and development.

SERVICES OF THE GROUP

The Group is a subcontractor that focuses on providing podium facade and curtain wall works in Hong Kong with a history of over 20 years. The services provided by the Group mainly include one-stop design and build solutions in relation to podium facade and curtain wall works. To a lesser extent, the Group also provides repair and maintenance services. During the Track Record Period, the Group generally undertook design and build projects as a subcontractor and all of the Group's revenue was derived from Hong Kong.

BUSINESS

During the Track Record Period, the Group had completed a total of 20 design and build projects and a total of 196 repair and maintenance works orders. For each of the three years ended 31 December 2016, the Group's total revenue amounted to approximately HK\$151.3 million, HK\$218.8 million and HK\$273.9 million, respectively. The following table sets forth a breakdown of the Group's revenue during the Track Record Period by types of services:

	Year ended 31 December					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Design and build projects						
- Podium facade and related works	121,332	80.2	195,998	89.6	242,306	88.5
- Curtain wall works	<u>16,252</u>	<u>10.7</u>	<u>13,998</u>	<u>6.4</u>	<u>24,749</u>	<u>9.0</u>
Sub-total	137,584	90.9	209,996	96.0	267,055	97.5
Repair and maintenance services	<u>13,720</u>	<u>9.1</u>	<u>8,824</u>	<u>4.0</u>	<u>6,857</u>	<u>2.5</u>
Total	<u><u>151,304</u></u>	<u><u>100.0</u></u>	<u><u>218,820</u></u>	<u><u>100.0</u></u>	<u><u>273,912</u></u>	<u><u>100.0</u></u>

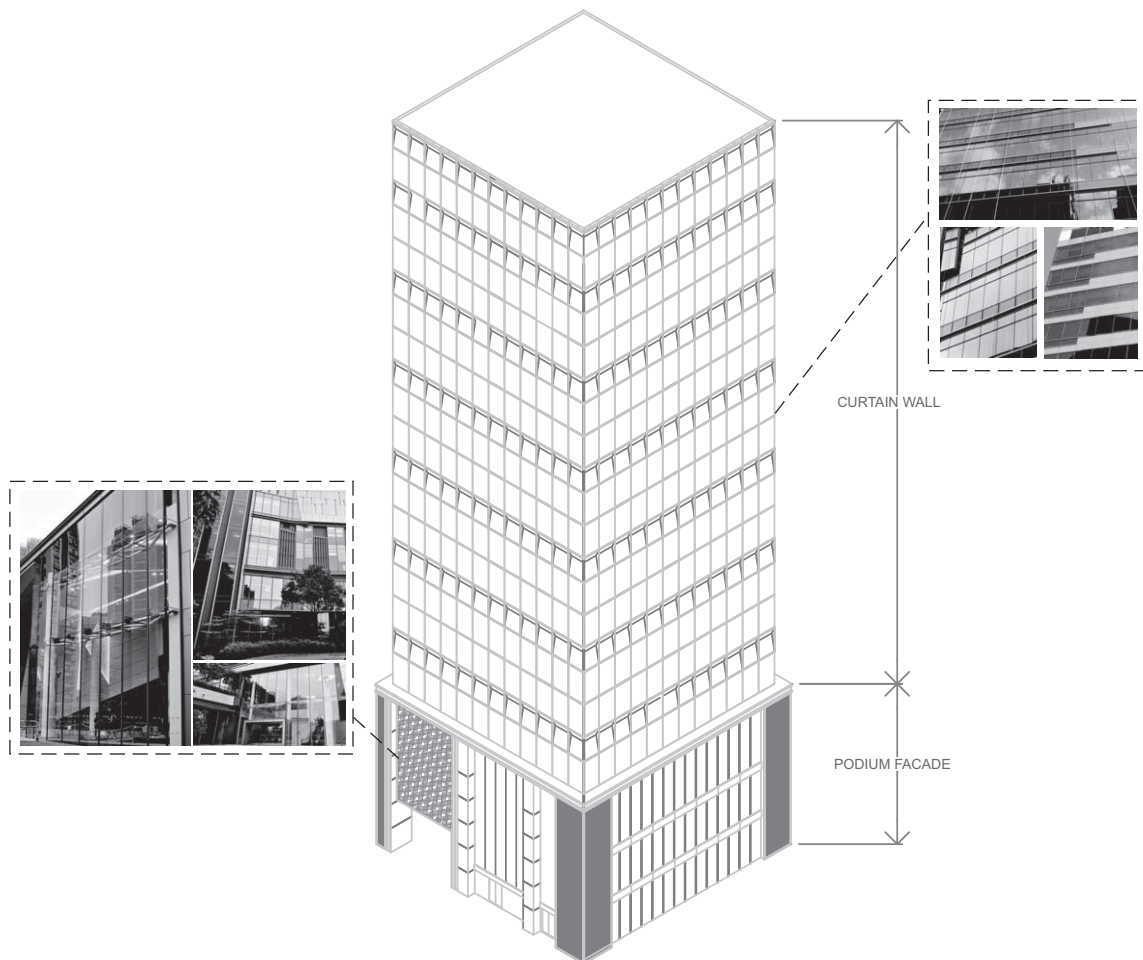
The following table sets forth a breakdown of the Group's revenue during the Track Record Period attributable to private and public sectors:

	Year ended 31 December					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	114,445	75.6	211,873	96.8	270,498	98.8
Public sector	<u>36,859</u>	<u>24.4</u>	<u>6,947</u>	<u>3.2</u>	<u>3,414</u>	<u>1.2</u>
Total	<u><u>151,304</u></u>	<u><u>100.0</u></u>	<u><u>218,820</u></u>	<u><u>100.0</u></u>	<u><u>273,912</u></u>	<u><u>100.0</u></u>

One-stop design and build solution services

The Group provides one-stop design and build solution services for podium facade and curtain wall. Services involved in a typical design and build project include developing facade or curtain wall system design, structural calculation and shop drawings, sourcing and procurement of materials, arrangement for material fabrication and processing, installation works and post-completion maintenance services for the relevant works performed by the Group and/or its subcontractors within the defects liability period and the warranty period. The Group is also responsible for the overall project management. Design and build projects undertaken by the Group during the Track Record Period can be broadly divided into two categories, namely (i) podium facade and related works; and (ii) curtain wall works.

The following picture illustrates the position of podium facade and curtain wall of a typical commercial building:



Podium facade and related works

Podium facade generally refers to the external surface of the podium or atrium portion of a building, which is typically made up a combination of different materials, such as glass, granite and other cladding materials. Podium facade can be supported by aluminium and steel frames and other structural materials that are attached onto the concrete structure of the building. Related works under this sub-category generally refers to the supply and installation of shopfront for retail shops.

Curtain wall works

Curtain wall typically refers to the external surface of a building above the podium or atrium portion. Glass, aluminium plate and various types of stones are common materials used for curtain walls. Curtain wall is typically supported by aluminium frames that are attached onto the slab edge of the building, which refers to the outer surface of the cement slabs separating the floors of a building.

BUSINESS

Repair and maintenance services

The Group also provides repair and maintenance services for podium facade and curtain wall, such services cover (i) one-off repair and maintenance services; and (ii) inspection and consultancy services.

One-off repair and maintenance services

During the Track Record Period, one-off repair and maintenance works undertaken by the Group for podium facade and curtain wall mainly include repair or replacement of damaged components such as aged sealant, gasket and window hardware; repair and maintenance works for glazing panel and glazing frame, as well as provision of inspection and consultancy services on maintenance works.

Inspection and consultancy services

During the Track Record Period, inspection and consultancy services provided by the Group include visual inspection on curtain wall system, photo record of inspections and preparation of inspection record that lists out the defects identified during the inspection and recommendation of remedial actions to rectify the defects.

DESIGN AND BUILD PROJECTS OF THE GROUP

Design and build projects awarded to the Group during the Track Record Period

During each of the three years ended 31 December 2016, the Group had been awarded seven, seven and nine design and build projects, respectively. The following table sets forth a breakdown of the number of projects awarded to the Group during the Track Record Period by types of services:

	Year ended 31 December		
	2014	2015	2016
	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>
Podium facade and related works	6	6	9
Curtain wall works	<u>1</u>	<u>1</u>	<u>—</u>
Total	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>9</u></u>

BUSINESS

The following table sets forth a breakdown of the projects awarded to the Group during the Track Record Period by ranges of awarded contract sum:

	Year ended 31 December		
	2014	2015	2016
	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>
Awarded contract sum			
HK\$100,000,000 or above	—	—	2
HK\$50,000,000 to below HK\$100,000,000	2	—	1
HK\$10,000,000 to below HK\$50,000,000	4	5	2
HK\$1,000,000 to below HK\$10,000,000	1	—	4
Below HK\$1,000,000	—	2	—
	<hr/>	<hr/>	<hr/>
Total	<u>7</u>	<u>7</u>	<u>9</u>

Design and build projects with revenue recognition during the Track Record Period

During each of the three years ended 31 December 2016, there were 21, 25 and 23 design and build projects with contribution to the Group's revenue, respectively. The following table sets forth a breakdown of the projects with revenue recognition during the Track Record Period by types of services:

	Year ended 31 December		
	2014	2015	2016
	<i>Number of projects with revenue recognition</i>	<i>Number of projects with revenue recognition</i>	<i>Number of projects with revenue recognition</i>
Podium facade and related works	17	21	21
Curtain wall works	4	4	2
	<hr/>	<hr/>	<hr/>
Total	<u>21</u>	<u>25</u>	<u>23</u>

BUSINESS

The following table sets forth a breakdown of the projects with revenue recognition during the Track Record Period by ranges of revenue recognition during the year:

	Year ended 31 December		
	2014	2015	2016
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognition during the year			
HK\$40,000,000 or above	—	1	1
HK\$20,000,000 to below HK\$40,000,000	2	3	4
HK\$10,000,000 to below HK\$20,000,000	2	1	4
HK\$5,000,000 to below HK\$10,000,000	3	4	3
HK\$1,000,000 to below HK\$5,000,000	8	11	8
Below HK\$1,000,000	<u>6</u>	<u>5</u>	<u>3</u>
Total	<u><u>21</u></u>	<u><u>25</u></u>	<u><u>23</u></u>

Design and build projects completed by the Group during the Track Record Period

During each of the three years ended 31 December 2016, the Group had completed four, seven and nine design and build projects, respectively. The following table sets forth a breakdown of the projects completed by the Group during the Track Record Period by types of services:

	Year ended 31 December		
	2014	2015	2016
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
Podium facade and related works	3	5	9
Curtain wall works	<u>1</u>	<u>2</u>	<u>—</u>
Total	<u><u>4</u></u>	<u><u>7</u></u>	<u><u>9</u></u>

BUSINESS

The following table sets forth a breakdown of the projects completed during the Track Record Period by ranges of accumulated revenue recognised:

	Year ended 31 December		
	2014	2015	2016
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
Accumulated revenue recognised			
HK\$50,000,000 or above	—	2	2
HK\$10,000,000 to below HK\$50,000,000	4	1	3
HK\$1,000,000 to below HK\$10,000,000	—	3	4
Below HK\$1,000,000	—	1	—
Total	<u>4</u>	<u>7</u>	<u>9</u>

The following table summarises the 20 design and build projects completed by the Group during the Track Record Period in descending order by accumulated revenue recognised:

No.	Location	Type of works undertaken	Project period (approximately) months	Awarded contract sum (Note 1) HK\$ million	Accumulated	Revenue	Accumulated
					revenue recognised prior to the Track Record Period (A) HK\$ million	recognised during the Track Record Period (B) HK\$ million	revenue recognised upon completion (A+B) HK\$ million
1.	Yuen Long, New Territories	Podium facade and related works	42	94.1	4.2	86.0	90.2
2.	Happy Valley, Hong Kong	Podium facade and related works	48 (Note 2)	62.8	19.9	44.7	64.6
3.	Kam Tin, New Territories	Podium facade and related works	13	46.3	—	51.6	51.6
4.	Tung Chung, New Territories	Podium facade and related works	17	47.3	—	50.1	50.1
5.	Tseung Kwan O, New Territories	Podium facade and related works	18	43.2	31.1	16.2	47.3
6.	Tseung Kwan O, New Territories	Podium facade and related works	19	33.1	—	31.4	31.4
7.	Kam Tin, New Territories	Podium facade and related works	16	28.2	—	28.4	28.4
8.	Tsim Sha Tsui, Kowloon	Podium facade and related works	20	30.1	17.7	3.5	21.2

BUSINESS

No.	Location	Type of works undertaken	Project period (approximately) months	Awarded contract sum (Note 1) HK\$ million	Accumulated	Revenue	Accumulated
					revenue recognised prior to the Track Record Period (A) HK\$ million	recognised during the Track Record Period (B) HK\$ million	revenue recognised upon completion (A+B) HK\$ million
9.	Admiralty, Hong Kong	Podium facade and related works	10	15.3	2.7	13.8	16.5
10.	Tseung Kwan O, New Territories	Podium facade and related works	19	18.4	—	15.5	15.5
11.	Fanling, New Territories	Podium facade and related works	16	12.4	8.1	5.4	13.5
12.	Mong Kok, Kowloon	Curtain wall works	17	11.5	1.0	10.6	11.6
13.	Tseung Kwan O, New Territories	Curtain wall works	29	10.0	1.5	8.5	10.0
14.	Tin Hau, Hong Kong	Curtain wall works	18	10.8	—	9.9	9.9
15.	Tseung Kwan O, New Territories	Podium facade and related works	24	8.6	—	7.5	7.5
16.	Happy Valley, Hong Kong	Podium facade and related works	7	2.9	—	2.8	2.8
17.	Yuen Long, New Territories	Podium facade and related works	8	1.7	—	1.6	1.6
18.	Happy Valley, Hong Kong	Podium facade and related works	3	0.8	—	1.2	1.2
19.	West Kowloon	Podium facade and related works	4	1.2	—	1.2	1.2
20.	Sha Tin, New Territories	Podium facade and related works	5	0.8	—	0.9	0.9

Notes:

1. The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial engagement agreement entered into or quotation agreed upon between the Group and its customers.
2. This is a term contract awarded to the Group in April 2011 with a contract period of 36 months, the last works order was completed in March 2015.

BUSINESS

Design and build projects on hand during the Track Record Period

As at 31 December 2014, 2015 and 2016, the Group had 11, 11 and 11 design and build projects on hand, respectively. The following table sets forth the movement of the Group's design and build projects during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Opening number of design and build projects <i>(Note 1)</i>	8	11	11
Number of design and build projects awarded <i>(Note 2)</i>	7	7	9
Number of design and build projects completed <i>(Note 3)</i>	<u>(4)</u>	<u>(7)</u>	<u>(9)</u>
Closing number of design and build projects <i>(Note 4)</i>	<u>11</u>	<u>11</u>	<u>11</u>

Notes:

1. Opening number of design and build projects refers to design and build projects with engagement confirmed and not yet completed as at the beginning of the relevant year indicated.
2. Number of design and build projects awarded refers to design and build projects awarded to the Group during the relevant year indicated.
3. Number of design and build projects completed refers to design and build projects completed by the Group during the relevant year indicated.
4. Closing number of design and build projects refers to design and build projects with engagement confirmed and not yet completed as at the end of the relevant year indicated.

BUSINESS

As at 31 December 2014, 2015 and 2016, the value of the Group's design and build projects on hand amounted to approximately HK\$350.5 million, HK\$282.4 million and HK\$435.4 million, respectively. The following table sets forth the movement of the Group's design and build projects during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Opening value of design and build projects on hand <i>(Note 1)</i>	216.6	350.5	282.4
Total value of new design and build projects <i>(Note 2)</i>	271.5	141.9	420.1
Revenue recognised <i>(Note 3)</i>	<u>(137.6)</u>	<u>(210.0)</u>	<u>(267.1)</u>
Closing value of design and build projects on hand <i>(Note 4)</i>	<u>350.5</u>	<u>282.4</u>	<u>435.4</u>

Notes:

1. Opening value of design and build projects on hand refers to the aggregate awarded contract sum, excluding variation orders, of the design and build projects on hand as at the beginning of the relevant year indicated.
2. Total value of new design and build projects awarded refers to the aggregated awarded contract sum, excluding variation orders, of the design and build projects awarded to the Group during the relevant year indicated.
3. Revenue recognised refers to the aggregated revenue recognised from design and build projects during the relevant year indicated.
4. Closing value of design and build projects on hand refers to the aggregate contract sum, excluding variation orders, of the design and build projects on hand as at the beginning of the relevant year indicated, plus the aggregated awarded contract sum, excluding variation orders, of the newly awarded design and build projects during the relevant year indicated less the revenue derived from design and build projects during the relevant year indicated.

As at 31 March 2017, the Group had 10 design and build projects on hand. For further details, please refer to the section headed "Summary — Recent development" in this prospectus.

BUSINESS

Design and build projects on hand as at 31 March 2017

As at 31 March 2017, the Group had 10 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have engagement confirmed but not yet commenced. A summary of which is set out below in descending order by awarded contract sum:

No.	Customer	Location	Type of works undertaken	Expected/ actual commencement month	Expected completion month	Awarded contract sum (Note 1)	Amount of		Expected revenue to be recognised for the year ending 31 December	
							Accumulated revenue recognised up to 31 December 2016	outstanding awarded contract sum as at 31 December 2016	2017	2018
						(A)	(B)	(A-B)	(Note 2)	(Note 2)
						HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
1.	Customer G	Tai Koo, Hong Kong	Podium facade and related works	Apr 2016	Jun 2018	199.0	14.0	185.0	114.1	53.5
2.	SHK Properties (Note 3)	Nam Cheong, Kowloon	Podium facade and related works	May 2016	Dec 2017	107.1	5.0	102.1	94.1	10.9
3.	Customer F	Tsim Sha Tsui, Kowloon	Podium facade and related works	Sep 2015	Apr 2017	78.7	69.9	8.8	19.1	4.8
4.	SHK Properties (Note 3)	Yuen Long, New Territories	Podium facade and related works	Feb 2014	Sep 2018	55.5	35.0	20.5	2.4	7.1
5.	SHK Properties (Note 3)	Cheung Sha Wan, Kowloon	Curtain wall works	Jul 2015	Apr 2017	28.9	25.7	3.2	2.3	0.6
6.	SHK Properties (Note 3)	San Po Kong, Kowloon	Podium facade and related works	Oct 2015	May 2017	19.3	5.5	13.8	9.2	0.4
7.	SHK Properties (Note 3)	Nam Cheong, Kowloon	Podium facade and related works	Sep 2016	Sep 2017	11.3	0.1	11.2	10.2	0.6
8.	SHK Properties (Note 3)	Nam Cheong, Kowloon	Podium facade and related works	May 2016	Sep 2017	10.5	1.1	9.4	9.5	0.5
9.	Customer G	Tai Koo, Hong Kong	Podium facade and related works	Nov 2016	Jul 2017	7.6	—	7.6	7.3	0.3
10.	Customer H	Tsuen Wan, New Territories	Podium facade and related works	April 2017	May 2018	1.3	—	1.3	0.8	0.5

Notes:

- The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial engagement agreement entered into or quotation agreed upon between the Group and its customers.
- The expected revenue to be recognised for the years ending 31 December 2017 and 2018 is based on the latest programme of each project, taking into account of any additions and modifications due to variation orders (if any). Projects may continue to recognise revenue after practical completion for any additions and modifications due to variation orders.
- As at 31 March 2017, the Group had 6 design and build projects on hand that are attributable to SHK Properties. These projects have an aggregate awarded contract sum of approximately HK\$232.6 million and an aggregate outstanding awarded contract sum as at 31 December 2016 of approximately HK\$160.2 million. It is expected that approximately HK\$127.7 million and HK\$20.1 million will be recognised from these projects for the years ending 31 December 2017 and 2018, respectively.

BUSINESS

REPAIR AND MAINTENANCE WORKS ORDERS OF THE GROUP

One-off repair and maintenance works orders

During the Track Record Period, the Group received a total of 209 one-off repair and maintenance works orders and had completed a total of 196 one-off repair and maintenance works orders. Details of which are set out below:

	Year ended 31 December		
	2014	2015	2016
Number of one-off repair and maintenance works orders received by the Group	55	86	68
Number of one-off repair and maintenance works orders completed by the Group	45	81	70

Inspection and consultancy services order

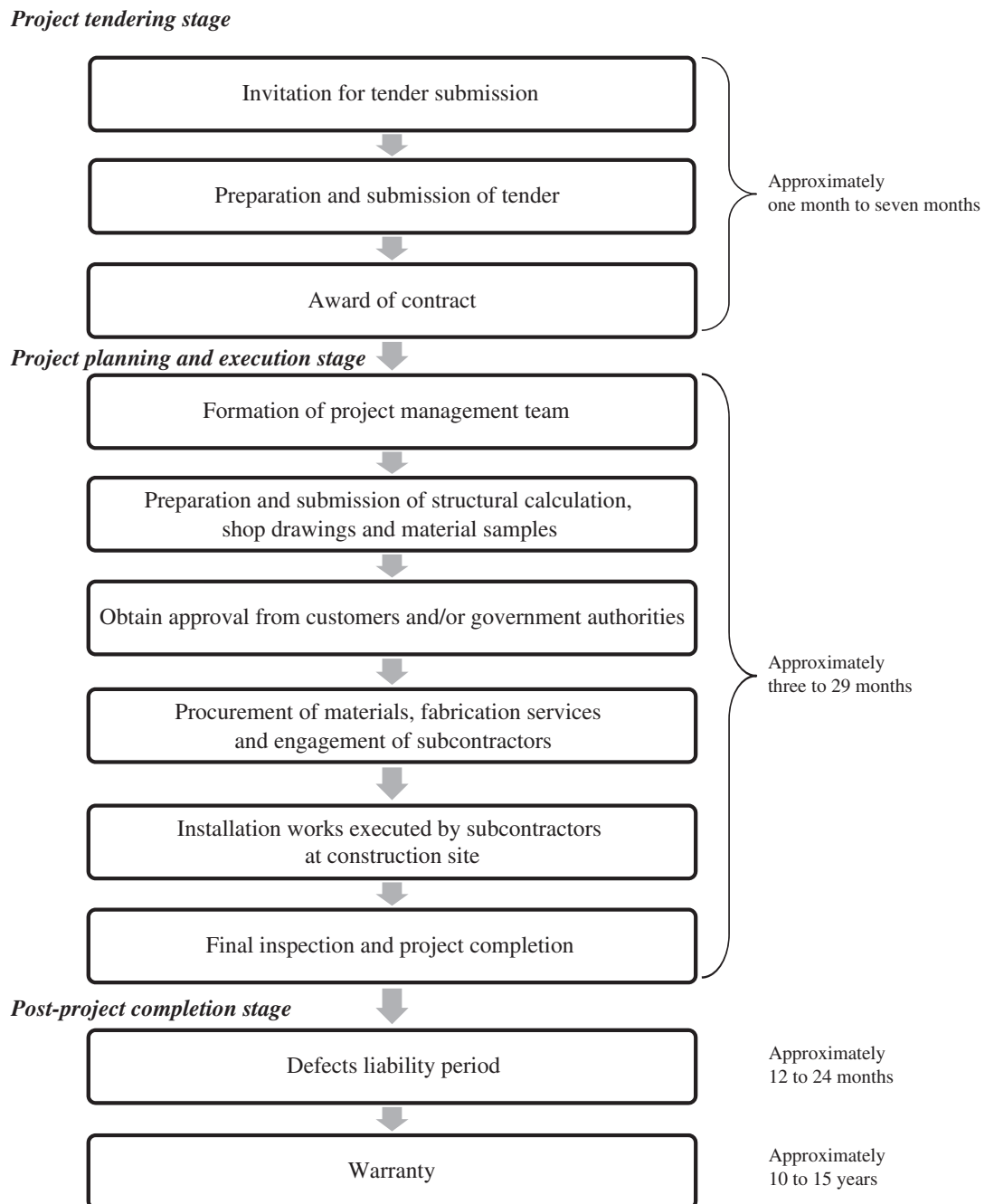
During the Track Record Period, the Group undertook and had completed one works order for its inspection and consultancy services for curtain wall with a contract sum of approximately HK\$90,000.

BUSINESS

OPERATING PROCEDURES

Design and build projects

During the Track Record Period, the Group had completed a total of 20 design and build projects, of which 17 projects were related to podium facade and related works and three projects were related to curtain wall works. Set out below is a flow chart summarising a usual workflow of a typical design and build project:



BUSINESS

Project tendering stage

The Group is generally invited by its customers directly to submit a tender for potential design and build projects. During the Track Record Period, the Group generally acted as a subcontractor in its design and build projects. The Group acts as a domestic subcontractor for projects that the Group is directly engaged by the main contractors; while it acts as a nominated subcontractor or named subcontractor for projects that the Group is engaged by the main contractor through the nomination of the ultimate owners of the projects, i.e. developers of the relevant construction site.

In the case of a domestic subcontractor project, pre-qualification is not required and the Group will be provided a tender document along with the invitation to submit a tender. A tender document normally contains details of the project, such as location, expected timetable, scope of works and services to be provided by the Group, design and material requirements, and other technical specifications. In the case of a nominated subcontractor or named subcontractor project, the Group is generally required to submit a pre-qualification before the issue of the official invitation for tender submission. A typical pre-qualification includes submission of project reference, ISO certificate, job reference and the financial statements for the last three financial years by the Group to the potential customers.

After receiving the tender document for a potential design and build project, the Group will evaluate and conduct an analysis of the tender document in terms of (i) the nature/type of works; (ii) the costs budget; (iii) the target completion date; (iv) the Group's projects on hand; (v) availability of the Group's resources; and (vi) scale of the project. The Group may also conduct a site inspection for the potential project, if necessary. Once the executive Directors consider the potential project is feasible based on their review and assessment, the Group will begin the preparation of the tender by conducting a series of analysis, such as costing and pricing, construction programme and technical analysis.

The Group is generally required to submit the tender approximately two to five weeks upon the receipt of the tender document. In accordance with the specifications provided by the Group's customer, the tender for a typical design and build project generally includes (i) the offer price with breakdown of work items and materials required with rate and required quantities (i.e. the Schedule of Rates); (ii) construction methodology; (iii) programme with estimation of the time required for completing each stage of work to be provided; (iv) tender drawings; and (v) materials offer list.

The following table sets forth a summary of the number of tenders submitted, number of design and build projects awarded and tender success rate of the Group during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Number of tenders submitted for design and build projects	31	39	31
Number of design and build projects awarded	7	7	9
Tender success rate (%)	22.6	17.9	29.0

BUSINESS

Upon receipt of the tender submission made by the Group, the customer may request for a tender interview to discuss with the Group further in respect of the tender submitted. Award of contract is generally confirmed by way of a letter of acceptance or letter of award issued by the Group's customers. The Group will then enter into a formal contract with its customers at a later stage. Upon confirmation of engagement with the Group's customers and depending on the nature and scope of works required for any given project, the Group will secure the engagement with its suppliers and subcontractors accordingly. For further details on the salient terms of the design and build contract, please refer to the sub-section headed "Customers — Salient terms of design and build contracts" in this section.

Project planning and execution stage

Upon award of a contract, the Group will form a project management team to oversee and manage the design and build project. A typical project management team usually comprises a project director and/or a project manager, a design manager, a project engineer and a project secretary. The project management team is led by a project director or a project manager, who is responsible for all aspects of the project including general project management, communicating with other team members, coordinating with customers and subcontractors, quality control management, supervising the work progress and budget monitoring. The project manager will liaise with the procurement department in relation to materials procurement and will directly report to an executive Director on the work progress. The project manager will attend meetings with the customers to review the project status on a regular basis.

Apart from project management, the Group is also responsible for the preparation of a facade or curtain wall system design, structural calculation, shop drawings, fabrication specification and installation method. For most of the design and build projects, a design intent will be given to the Group by its customers and the Group is responsible for the design modification and which also involved structural calculation to assess the feasibility of the design and installation works. Accordingly, a system design and structural calculation will be submitted to the customers and/or the Buildings Department to obtain an approval for execution. The Group's design team in Hong Kong is responsible for the overall development of the system design and shop drawings including structural calculations while the preparation of fabrication drawings, which generally does not involve any structural calculations, will be exclusively assigned to its design team in Shenzhen office.

During the Track Record Period, the Group had engaged independent third parties to provide some of these drawing works with a majority being fabrication drawing works and the design fees paid to independent third parties were approximately HK\$10.2 million, HK\$8.0 million and HK\$5.2 million, respectively. After the establishment of G & M Design in January 2016, a majority of the fabrication drawings works have been allocated to G & M Design. The Directors believe that it is more cost-effective to allocate certain parts of the design works such as fabrication drawings to Shenzhen office than to recruit a team of draftsmen in Hong Kong or to engage independent third parties to do such works. As at the Latest Practicable Date, the Group had 12 staff in the design team in Hong Kong and 21 staff in the design team in the PRC.

BUSINESS

As soon as the Group has obtained the approval on the material submissions from its customers and/or its agent, its procurement department will begin the preparation of materials purchase and fabrication arrangement. Materials used in the Group's design and build projects mainly comprise aluminium extrusion, aluminium sheet, steel, stainless steel and glass. The Group is generally required to submit samples of the materials and testing reports issued by independent third parties to its customer for approval. The Group generally requires its supplier to deliver the materials directly to the construction site if no fabrication or processing is needed. For materials that require further fabrication or processing, the Group will engage external processing factories to carry out the fabrication or processing works and the fabricated materials will normally be sent to the construction site directly by the processing factories. In accordance with the requirements of the Buildings Department, curtain wall systems will be required to undergo a series of tests by independent laboratories, including but not limited to a safety test. In contrast, although podium facade may not be required by the Buildings Department to undergo any particular test, testing will be arranged upon request of the Group's customers. For further details on the Group's suppliers, please refer to sub-section headed "Suppliers" in this section.

As the Group does not employ any direct labour to execute the installation works at site, it generally procures subcontractors from its approved list to carry out the installation works. For further details, please refer to the sub-section headed "Subcontractors — Basis for selection of subcontractors" in this section.

Throughout the project execution stage, the Group's project management team, in particular the assigned project manager, will closely monitor the progress of the project on a continuous basis. The project management team will report to the executive Directors for the project status from time to time and to discuss and/or identify any problems that need to be resolved during the project execution stage.

For some projects, the Group may require machines and equipment to carry out the execution works. The Group owns (i) a glazing machine for glass polishing; and (ii) a glass installation robot for glass installation. The glazing machine had been purchased for a number of years and was fully depreciated and the remaining useful life of the glass installation robot based on accounting estimation is approximately four years. For the projects that require machines and equipment other than those owned by the Group or the Group's own machines and equipment are not available, the Group may (i) arrange the leasing of the machines and equipment from its approved list of suppliers; or (ii) have its subcontractors arrange the machines and equipment themselves at the cost of the Group.

Although the installation works will be carried out by the Group's subcontractors, the Group is liable for the works produced by them. In order to maintain the quality of the works of the subcontractors, the Group typically conducts on-site inspection on their work done to ensure any non-conformance identified is resolved and to evaluate their performance. For further details on the Group's subcontractors, please refer to sub-section headed "Subcontractors — Control on subcontractors" in this section. In respect of work safety, the Group will arrange an external safety

BUSINESS

officer for sites with more than 50 workers or an in-house safety supervisor for sites with less than 50 workers to oversee work safety and conduct inspections regarding the work safety at the construction site. Pursuant to section 6BA of the Factories and Industrial Undertakings Ordinance, any workers who work in the site of the Group's projects, regardless whether he is an employee of the Group or the Group's subcontractors, should have received safety training (referred to as mandatory basic safety training) and hold a valid construction industry safety training certificate (commonly known as Green Card) before he can carry out construction work. Some of the Group's customers may also offer extra safety training for the Group's workers.

During the course of a project, customers of the Group may require additional services or amendments in the specifications which will result in extra works to be performed by the Group. The Group generally confirms the variation orders with its customers by way of email confirmation or additional work orders, the unit rates for the works under such variation order are in general agreed upon between the Group and the customers and are set out in the Schedule of Rates as provided in the relevant project contract.

For most of the Group's design and build projects, normally monthly or interim payment will be made to the Group by its customers based on the Group's works completed during such month or such period. Some of the Group's customers will withhold usually 10% of each payment as retention money until the accumulated retention money reaches 5% of the total contract sum. For further details of the payment terms, please refer to the sub-section headed "Customers — Salient terms of design and build contracts" in this section.

For those projects, upon satisfactory completion of the installation works as set out in the contract and receipt of a practical completion certificate issued by the authorised person, generally up to half of the retention money of such project will be released upon issue of the practical completion certificate.

Post-project completion stage

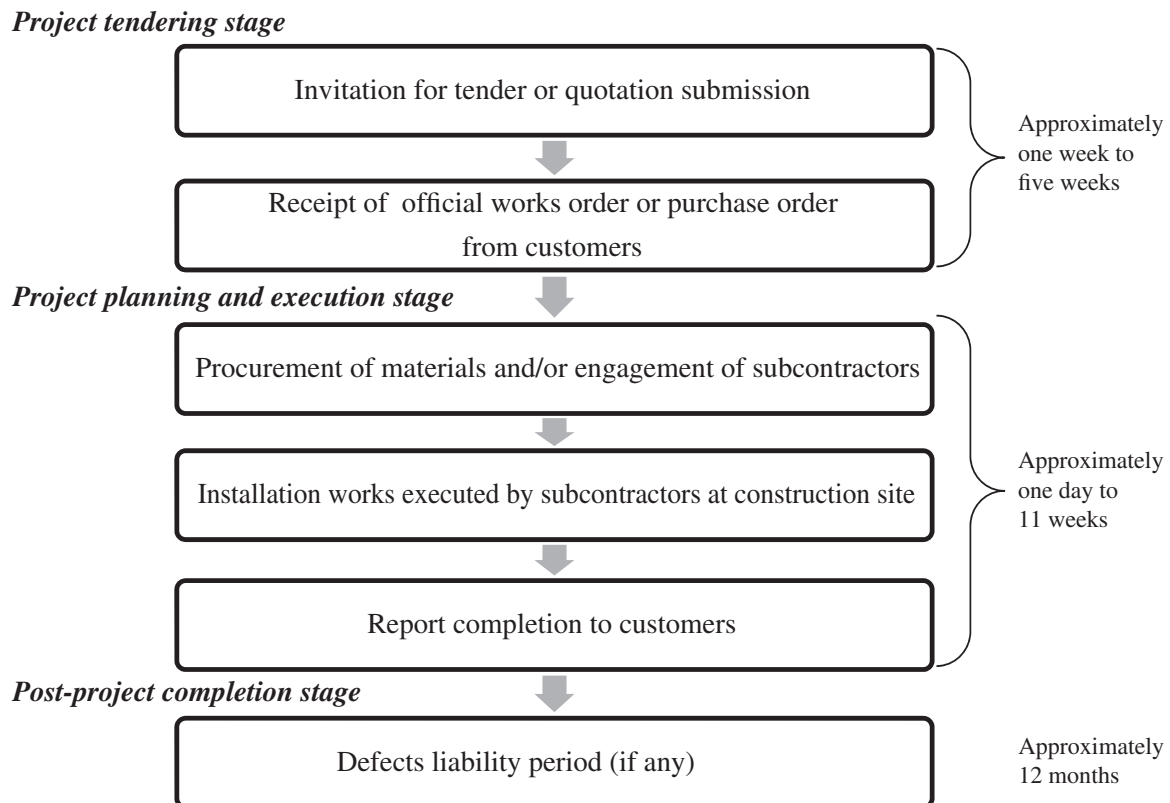
The Group generally provides a defects liability period to its customer, which begins on the practical completion date of the design and build project and normally ranges from 12 to 24 months, subject to different terms as set out in the contracts. During the defects liability period, the Group is responsible, at its own costs, for remedial works which may arise from the defective works or materials used. In order to protect the Group's interest, the Group generally withholds 10% of each payment to its subcontractors as retention money, of which usually half of the retention money will be released upon practical completion and the remaining half will be released after six months after the practical completion. Apart from the defects liability period, the Group also provides a warranty on certain aspects, including but not limited to glazing and waterproofing works of approximately 10 to 15 years from the end of the defects liability period and the Group's suppliers of glass and finishes of aluminium generally provide warranty of their products of similar length to the Group. At the end of the defects liability period, customers of the Group will issue the certificate of completion of making good defects and the remaining retention money will be released upon issue of the certificate of completion of making good defects.

BUSINESS

During the Track Record Period, the Group did not incur any material expenses in relation to the follow-up works during the defects liability period of its design and build projects.

One-off repair and maintenance services

During the Track Record Period, the Group completed a total of 196 one-off repair and maintenance works orders. Set out below is a flow chart summarising a usual workflow of a typical one-off repair and maintenance works order:



Project tendering stage

The Group is generally invited by its customers to submit a tender or provide a quotation for one-off repair and maintenance works. Details of the one-off repair and maintenance works required, such as location of works, scope of works and material specification will generally be set out in the invitation. If necessary, the Group may conduct a site inspection for the potential repair works. The Group is generally required to submit the tender or quotation within three days to three weeks upon the receipt of the invitation. Upon confirmation of engagement, customers of the Group will issue an official works order or purchase order to confirm the engagement with the Group.

BUSINESS

The following table sets forth a summary of the number of tenders or quotations submitted, number of works orders received and the relevant tender success rate during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Number of tenders or quotations submitted	121	192	166
Number of works orders received	55	86	68
Tender success rate (%)	45.5	44.8	41.0

Project planning and execution stage

In general, no design work will be involved in a one-off repair and maintenance works order. Therefore, the Group will begin the procurement of materials and subcontractors upon receipt of the official works order or purchase order from its customers. Similar to the operating procedures of a typical design and build project, the Group will procure materials in accordance with the specifications set out in the works order or purchase order and will engage third parties processing factories to carry out the fabrication or processing works, if necessary. The materials will normally be sent to the construction site directly by the suppliers. The installation works at construction site will be carried out by the Group's subcontractors while the Group's project management department will be responsible for overseeing and supervising the installation works.

Once the installation works at construction site are completed, the Group's customers will report completion to customers to confirm that the one-off repair and maintenance works were duly completed by the Group.

Post-project completion stage

Upon request by the Group's customers, the Group may provide a defects liability period of generally 12 months, starting from the practical completion date, for its one-off repair and maintenance works.

BUSINESS

LICENCES AND PERMITS

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the Group has obtained all material licences, permits and registration required for carrying on its business operations in Hong Kong, details of which are set out below:

Licences	Holder	Issuing authority	Type(s) of works covered	Expiry date
Registered Minor Works Contractors (Classes I, II and III) (<i>Note 1 & 2</i>)	G & M Engineering	Buildings Department	Minor works include alteration & addition works and signboard related works as set out in the Building (Minor Works) Regulation	18 October 2018
Registered Subcontractor	G & M Engineering	Construction Industry Council	Marble, granite and stone work, window fabrication and installation, shutters/doors fabrication and installation, painting, metal work, other finishing trades and components, renovation and fitting-out	30 March 2019
Registered Subcontractor	G & M Maintenance	Construction Industry Council	Marble, granite and stone work, window fabrication and installation, shutters/doors fabrication and installation, tanking and waterproofing, painting, metal work, other finishing trades and components, renovation and fitting-out	28 April 2019

Notes:

- Minor works are classified into three classes (Class I, II and III) according to their scale, complexity and risk to safety and are subject to different degrees of control. Class I (total of 44 items) includes mainly those relatively more complicated minor works. Class II (total of 40 items) comprises those of comparatively lower complexity and risk to safety. Class III (total of 42 items) mainly includes common household minor works. Minor works are also grouped into seven types (i.e. Type A, B, C, D, E, F and G) according to their nature. G & M Engineering is registered for carrying out Type A (Alteration and Addition Works) minor works under Classes I, II and III and Type C (Signboard Related Works) minor works under Classes I, II and III. Please refer to the section headed “Regulatory overview” in this prospectus for further details.

BUSINESS

2. As at the Latest Practicable Date, the technical director is Mr. Lee and there were two authorised signatories. The following sets forth the details of the authorised signatories:

Name of authorised signatory	Registered class of minor works	Registered type of minor works
Tong Wai Shing, Wilson	I, II, III	A, C
Chang Wai Hung	II, III	A, C

Renewal of the registration of Registered Minor Works Contractors is required every three years while the registration of Registered Subcontractors is required every two years. The Directors confirm that the Group did not experience any material difficulties in obtaining and/or renewing such licences, permits, consents and approvals. Further, the Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

In particular, in order for G & M Engineering to maintain the registration as a Registered Minor Works Contractor, G & M Engineering must have at least one authorised signatory to act for it for the purposes of the Buildings Ordinance and one technical director to carry out certain duties including, among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the Buildings Ordinance. The Group has the following contingency plan in place in the case of retirement or resignation of any of the authorised signatory and technical director:

- (i) According to the practice note issued by the Buildings Department, there will not be any immediate effect to the ongoing projects if an acceptable replacement of technical director is appointed within a reasonable period of time. Currently, Mr. Lee is the technical director. In the event Mr. Lee retires or resigns, G & M Engineering intends to appoint Mr. Wong Siu Fung, Kris as the technical director. The Directors consider that Mr. Wong Siu Fung, Kris possesses sufficient academic qualifications and industry experience such that he would satisfy the qualification and experience requirements specified by the Buildings Department; and
- (ii) According to the practice note issued by the Buildings Department, the Building Authority only needs one authorised signatory to act for the Registered Minor Works Contractor for each project. Mr. Tong Wai Shing, Wilson and Mr. Chang Wai Hung can be the readily available alternate authorised signatory of Class II and III works in case of retirement or resignation of each other. Regarding Class I works, in the event Mr. Tong Wai Shing, Wilson retires or resigns, G & M Engineering intends to appoint Mr. Lai Kwong Lam Louis as the authorised signatory. The Directors consider that Mr. Lai Kwong Lam Louis possesses sufficient academic qualifications and industry experience such that he would satisfy the qualification and experience requirements specified by the Buildings Department.

BUSINESS

As such, the Directors consider that they are not aware of any circumstances that would significantly hinder or delay the Group's business operations which required the registration as a Registered Minor Works Contractor.

For any works where any member of the Group is involved as a subcontractor, if there is a registered general building contractor and/or specialist contractor under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) to supervise the works and liaise with the Buildings Department, the relevant member of the Group is not required to hold such licence or registration or to obtain any requisite licences, permits and approval for its operation and business except the business registration. However, being registered on the Subcontractor Registration Scheme at the Construction Industry Council is required for subcontractors to participate in public projects commissioned by certain Government authorities and statutory bodies, such as the Development Bureau and Hong Kong Housing Authority.

The Directors, upon obtaining legal advice, confirm that during the Track Record Period and up to the Latest Practicable Date, the Group has obtained all necessary licences, permits, consents and approvals for the Group's business operations in Hong Kong respectively and all of them are valid.

CUSTOMERS

Profile of the Group's customers

The Group's customer types generally include main contractor, property developer, commercial enterprise and public body. During the Track Record Period, all of the Group's major customers are located in Hong Kong and all of the Group's revenue was denominated in Hong Kong dollars.

Major customers

For each of the three years ended 31 December 2016, the percentage of the Group's total revenue attributable to the Group's largest customer amounted to approximately 52.4%, 85.7% and 64.7%, respectively, while the percentage of the Group's total revenue attributable to the Group's five largest customers, in aggregate, amounted to approximately 91.2%, 96.1% and 96.9%, respectively.

BUSINESS

Set out below is a breakdown of the Group's revenue attributable to the Group's top five customers during the Track Record Period:

For the year ended 31 December 2014

	Revenue for the year HK\$'000	Approximate % of the Group's total revenue for the year
SHK Properties	79,293	52.4
Customer A	36,859	24.4
Customer B	11,942	7.9
Customer C	5,428	3.6
Customer D	<u>4,450</u>	<u>2.9</u>
Five largest customers in aggregate	137,972	91.2
All other customers	<u>13,332</u>	<u>8.8</u>
Total revenue	<u><u>151,304</u></u>	<u><u>100.0</u></u>

For the year ended 31 December 2015

	Revenue for the year HK\$'000	Approximate % of the Group's total revenue for the year
SHK Properties	187,630	85.7
Customer A	6,947	3.2
Wan Chung Construction Company Limited	6,344	2.9
Customer E	4,836	2.2
Customer C	<u>4,632</u>	<u>2.1</u>
Five largest customers in aggregate	210,389	96.1
All other customers	<u>8,431</u>	<u>3.9</u>
Total revenue	<u><u>218,820</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 December 2016

	Revenue for the year HK\$'000	Approximate % of the Group's total revenue for the year
SHK Properties	177,277	64.7
Customer F	67,836	24.8
Customer G	14,023	5.1
Customer A	3,414	1.3
Design Unlimited Company Limited	2,858	1.0
Five largest customers in aggregate	265,408	96.9
All other customers	8,504	3.1
Total revenue	273,912	100.0

Set out below is the background information of the Group's top five customers during the Track Record Period:

Customers	Services purchased from the Group (Note)	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
SHK Properties	(i) and (ii)	Several companies which mainly engage in building construction and project management and are subsidiaries of SHK Properties (stock code:16), a property developer listed in Hong Kong. The revenue and net profit of SHK Properties for the year ended 30 June 2016 amounted to approximately HK\$91.2 billion and HK\$33.4 billion, respectively	15 years	20 to 30 days upon submission of payment application by bank transfer

BUSINESS

Customers	Services purchased from the Group <i>(Note)</i>	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Customer A	(i)	A company located in Hong Kong engaging in racing and racecourse entertainment, membership, responsible wagering and charity and community contribution	12 years	30 days upon presentation of payment certificate by cheque or bank transfer
Customer B	(i)	A company which mainly engages in interior decoration, fitting out, design and contracting, and is a subsidiary of a property developer listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK\$5.3 billion	Four years	42 days upon issue of payment certificate by cheque or bank transfer
Customer C	(ii)	Several subsidiaries of a property investment company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK\$16.8 billion	16 years	30 days upon issue of invoice by cheque or bank transfer

BUSINESS

Customers	Services purchased from the Group <i>(Note)</i>	Background and principal business	Years of business relationship <i>(approximately)</i>	Typical credit terms and payment method <i>(approximately)</i>
Customer D	(ii)	A subsidiary of a worldwide athletic footwear and apparel seller listed in the United States and the revenue of the listed parent company for the year ended 31 May 2016 amounted to approximately US\$32.4 billion	10 years	30 days upon issue of invoice by cheque or bank transfer
Wan Chung Construction Company Limited	(i)	A subsidiary of Vision Fame International Holding Limited (stock code: 1315), a building construction service company listed in Hong Kong. The revenue of the listed parent company for the year ended 31 March 2016 amounted to approximately HK\$2.5 billion	Three years	44 days upon issue of payment certificate by project owner by cheque
Customer E	(i)	A subsidiary of a public utility service provider listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK\$28.6 billion	Four years	30 days upon presentation of payment certificate by bank transfer
Customer F	(i)	A company located in Hong Kong engaging in construction business	One year	60 days upon presentation of payment certificate by cheque

BUSINESS

Customers	Services purchased from the Group <i>(Note)</i>	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Customer G	(i)	A company located in Hong Kong engaging in civil engineering and contracting business	10 years	42 days upon issue of payment certificate by bank transfer
Design Unlimited Company Limited	(i)	A company located in Hong Kong engaging in interior design business	11 years	30 days upon issue of invoice by cheque

Note:

- (i) Design and build services
- (ii) Repair and maintenance services

All of the Group's top five customers during the Track Record Period are Independent Third Parties. To the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date had any interest (direct or indirect) in any of the Group's five largest customers during the Track Record Period.

Customer concentration

For each of the three years ended 31 December 2016, approximately 91.2%, 96.1% and 96.9% of the Group's total revenue was attributable to the Group's five largest customers, respectively. In particular, the Group's largest customer, SHK Properties, accounted for approximately 52.4%, 85.7% and 64.7% of the Group's total revenue for the corresponding year, respectively. Please refer to the section headed "Risk factors — Revenue derived from the Group's five largest customers accounted for a substantial portion of the Group's revenue, inability to retain business relationship with them or secure new business may affect the Group's operations and financial performance" in this prospectus for the customer concentration risk.

The Directors consider that the significant revenue contribution by SHK Properties during the Track Record Period was mainly due to the following:

- the Group has developed business relationship with SHK Properties since 2002. Throughout these years, the Group has accumulated an in-depth understanding of SHK Properties's requirements and is capable of accommodating the requests from SHK Properties and the Directors believe that this is a major reason for the Group having been engaged by subsidiaries of SHK Properties recurrently during the Track Record Period;

BUSINESS

- in light of the stable payment record and the listing status of SHK Properties, the Directors consider that it is beneficial to the Group's financial position and performance to allocate its resources to undertake projects and work orders from SHK Properties; and
- the demand for the Group's services by SHK Properties was relatively strong and stable during the Track Record Period. During each of the three years ended 31 December 2016, the Group received 23, 21 and 13 tender invitations for design and build projects from SHK Properties, respectively, of which the Group responded and submitted tender for 14, nine and 11 invitations, respectively. The Group had been awarded with six, five and four design and build projects for the corresponding year, respectively, with an aggregate awarded contract sum of approximately HK\$220.3 million, HK\$140.3 million and HK\$130.7 million, respectively.

Despite the concentration on SHK Properties during the Track Record Period, the Directors consider that the Group's business is sustainable due to the following reasons:

- considering the nature of the property development industry in Hong Kong in which the Group's customers operate, the Group's customer base which comprising property developers and main contractors is relatively concentrated. According to the Ipsos Report, due to the concentration in the property development market in Hong Kong, it is common for construction contractors or subcontractors to rely on a few customers. Ipsos has identified a total of 14 companies that are (i) newly listed on the Stock Exchange during the period from April 2015 to April 2017; and (ii) subcontractors in the construction industry in Hong Kong. According to their respective listing documents, nine of them have over 90% of revenue attributable to their top five customers for at least one financial year;
- SHK Properties is a property developer group in Hong Kong with market capitalisation of approximately HK\$335.9 billion as at the Latest Practicable Date. According to the annual report for the year ended 30 June 2016 and the interim results announcement for the six months ended 31 December 2016 of SHK Properties, it had 25 major projects with scheduled completion date from 1 January 2017 to 30 June 2019, which the Directors consider that SHK Properties would provide a stable and substantial demand for the Group's services;
- the Group's design and build projects were generally obtained by the Group through tendering processes invited by customers, including SHK Properties. During the Track Record Period, the Group was required to enter separate design and build contracts for the design and build projects awarded by SHK Properties on a project-by-project basis. The Directors believe that SHK Properties can make its procurement on a project-by-project basis and hence the failure of winning a tender for one project of SHK Properties would not affect the chance of winning tenders for other projects;
- the Group undertakes design and build projects of considerably different scales with project period normally ranges from approximately three to 29 months, therefore customer of a single or a few sizeable design and build project(s) can easily become the largest customer of the Group in terms of revenue contribution to the Group for more than one financial year;

BUSINESS

- the Group has been providing podium facade and curtain wall works mainly as a subcontractor in Hong Kong over 20 years. Apart from SHK Properties, the Group has business relationship, ranging from one year to 16 years, with its other top five customers during the Track Record Period and five of which have business relationship of more than 10 years with the Group. The Directors believe that the Group's operating history with a wide range of project references allows the Group to consolidate its reputation and secure projects from different property developers and main contractors;
- the Group has been making continuous efforts to expand its customer base and it secured contracts or work orders from 22 new customers during the Track Record Period. For each of the three years ended 31 December 2016, these new customers in aggregate contributed approximately HK\$3.1 million, HK\$10.7 million and HK\$72.3 million to the Group's revenue, respectively, representing approximately 2.1%, 4.9% and 26.4% of the Group's total revenue of the corresponding year, respectively;
- during each of the three years ended 31 December 2016, the Group had received a total of 67, 80 and 52 tender invitations for design and build projects from its customers, respectively, of which 44, 59 and 39 were from customers other than SHK Properties, respectively, and the Group had declined or did not respond to a total of 36, 41 and 18 tender invitations, respectively, of which 27, 29 and 16 were from customers other than SHK Properties, respectively. The Directors consider that, besides SHK Properties, the Group's other customers have strong demand for the Group's services. In addition, in view of the expected growth of the podium facade and curtain wall works industry in Hong Kong in the coming few years according to the Ipsos Report, even if any of the Group's major customers does not award new business to the Group in the future, the Directors believe that the Group would still be able to utilise its capacity to take up other projects from other customers; and
- as at 31 March 2017, the Group had 10 design and build projects on hand, six of which are attributable to SHK Properties and four of which are attributable to other customers. These projects have an aggregate awarded contract sum of approximately HK\$519.2 million with an amount of outstanding awarded contract sum as at 31 December 2016 of approximately HK\$362.9 million, of which approximately HK\$160.2 million is attributable to SHK Properties and approximately HK\$202.7 million is attributable to other customers.

Having said that, the Group strives to broaden its customer base to reduce its reliance on SHK Properties. Subsequent to the Track Record Period and up to 31 March 2017, the Group submitted eight tenders to new customers and, as at 31 March 2017, the Group is in the course of assessing and considering two invitations from other new customers. As at 31 March 2017, there were 10 design and build projects that the Group had yet to receive results after submitting the tenders with an aggregate expected contract sum of approximately HK\$446.2 million, of which (i) none of them is attributable to SHK Properties; (ii) approximately HK\$219.3 million is attributable to new customers; and (iii) approximately HK\$226.9 million is attributable to other recurring customers.

BUSINESS

During the Track Record Period, the Group had declined or did not respond to approximately 36, 41 and 18 tender invitations, respectively, due to limitation of financial resources and manpower. The Group intends to tender for more design and build projects with different scales from different customers to diversify its customer base. In order to enhance the Group's capability to undertake more business from other customers, the Directors intend to apply the net proceeds from the Share Offer to (i) finance the net cash outflows required in the early stage of new design and build projects; (ii) further strengthen the Group's capital base and liquidity position to satisfy the surety bonds requirements for potential design and build projects; and (iii) further expand the Group's manpower to increase the Group's capacity to undertake more design and build projects. For further details on the Group's future plan and use of proceeds, please refer to the section headed "Future plans and use of proceed" in this prospectus. The Directors believe that the listing status and enhanced financial position of the Group with the net proceeds from the Share Offer would provide more flexibility for the Group to tender more design and build projects and broaden its customer base.

Pricing strategy

The Group generally determines the price of its projects on an estimated project costs plus a mark-up margin. The Group's pricing on its projects is generally evaluated on a project-by-project basis depending on several factors, including but not limited to, (i) the nature or type of the design and projects; (ii) the costs budget; (iii) the target completion date; (iv) the Group's projects on hand; (v) the availability of the Group's resources; and (vi) scale of the project.

Salient terms of design and build contracts

The Group is generally engaged by its customers in its design and build projects on a project-by-project basis. The Directors consider that such arrangement is in line with the industry practice in Hong Kong. The terms of each design and build contract entered into between the Group and its customers may vary, the salient terms of a typical design and build contract are shown below:

Scope of work	:	The scope of services and type of works to be carried out by the Group are specified in the project contract. Contracts may also include the product specifications and requirements as set out by its customers.
Duration of work	:	The Group will follow the pre-determined work schedule as set out in the contract, which may be extended from time to time pursuant to the terms of the contract.
Contract sum	:	The Group's project contracts are mainly lump sum fixed price contracts in which the contract payment will be based on a fixed contract sum agreed in the contract for carrying out the whole of the works as specified and no re-measurement will be conducted except for works conducted pursuant to variation order issued by customers.

BUSINESS

During the Track Record Period, the Group undertook one term contract related to design and build services for podium facade and related works which was entered into between G & M Engineering and Customer A in April 2011 with a contract period of 36 months. The term contract resembles a framework agreement that sets out the unit price of services to be provided by the Group, the unit price will be adjusted annually in accordance with the Building Works Tender Price Index published by the Architectural Services Department. Customer A will place separate works orders to the Group with reference to the unit price set out in the term contract. The last works order related to this term contract was completed in March 2015. As at the Latest Practicable Date, the Group had no term contract on hand.

- Subcontracting : The Group is generally not prohibited to engage subcontractor to carry out the works. The Group is primarily responsible for the works performed by its subcontractors.
- Insurance : The Group or its customers are responsible for all necessary insurances for its subcontractors, such as employees' compensation, contractors all risk insurance and third party liability insurance.
- Surety bond : For some of the contracts, the Group is required to provide a surety bond generally equivalent to approximately 10% of the total contract sums issued by banks or insurance companies in favour of the customers as security for the due performance and observance of the Group's obligations under the relevant project. The surety bonds are normally released upon completion of the project or as specified in the relevant contract.
- Payment terms : For further details regarding the payment terms, please refer to the sub-section headed "Customers — Credit policy" in this section.
- Defects liability period : The Group generally provides a defects liability period ranging from 12 to 24 months for its design and build projects. During the defects liability period, the Group is responsible, at its own costs, for remedial works which may arise from the defective works or materials used.
- Retention money : For further details regarding the payment terms, please refer to the sub-section headed "Customers — Credit policy" in this section.

BUSINESS

Credit policy

In respect of the Group's design and build projects, the Group is generally required to submit payment application to obtain monthly or interim payment from its customers with regard to its works done on the basis as set out in the contract. For some of the projects, the Group's customers and/or their authorised persons will then carry out an inspection on the completed works and issue a payment certificate to certify the portion of works completed by the Group. It generally takes less than 1 month to obtain the payment certificate from the payment application submission date. Upon receipt of the payment certificate, the Group will issue an invoice to its customers.

In most of the Group's design and build projects, customers usually retain 10% from each monthly or interim payment as retention money until the accumulated retention money reaches 5% of the total contract sum. In general, half of the retention money will be released upon practicable completion of the project and the remaining half will be released after the defect liability period.

During the Track Record Period, all of the Group's major customers were located in Hong Kong and all of the Group's revenue was denominated in Hong Kong dollars, and the payments were generally settled by cheques or bank transfers. The credit period granted by the Group to its customers ranged from 20 to 60 days. The Group will continuously review and identify any long outstanding trade receivables. For further details on the Group's receivable turnover days, please refer to section headed "Financial information — Trade and other receivables" in this prospectus.

SUPPLIERS

Profile of the Group's suppliers

The Group's suppliers generally include suppliers for (i) building materials to be consumed in its design and build projects, such as aluminium, metal and glass; (ii) material fabrication or processing services; and (iii) machines and equipment leasing services. During the Track Record Period, all of the Group's major suppliers were either located in Hong Kong or the PRC.

Major suppliers

For each of the three years ended 31 December 2016, the percentage of the Group's total purchases attributable to the Group's largest supplier amounted to approximately 32.6%, 44.0% and 29.0%, respectively, while the percentage of the Group's total purchases attributable to the Group's five largest suppliers, in aggregate, amounted to approximately 66.6%, 63.9% and 60.6%, respectively.

BUSINESS

Set out below is a breakdown of the Group's purchases attributable to the Group's top five suppliers during the Track Record Period:

For the year ended 31 December 2014

	Purchases for the year HK\$'000	Approximate % of the Group's total purchases for the year
Supplier A	12,123	32.6
Supplier B	5,392	14.5
Supplier C	2,780	7.5
Supplier D	2,537	6.8
Supplier E	<u>1,924</u>	<u>5.2</u>
Five largest suppliers in aggregate	24,756	66.6
All other suppliers	<u>12,435</u>	<u>33.4</u>
Total purchases	<u><u>37,191</u></u>	<u><u>100.0</u></u>

For the year ended 31 December 2015

	Purchases for the year HK\$'000	Approximate % of the Group's total purchases for the year
Supplier A	26,531	44.0
Supplier B	3,873	6.4
Supplier D	3,171	5.3
Supplier C	2,975	4.9
Supplier F	<u>2,013</u>	<u>3.3</u>
Five largest suppliers in aggregate	38,563	63.9
All other suppliers	<u>21,802</u>	<u>36.1</u>
Total purchases	<u><u>60,365</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 December 2016

	Purchases for the year HK\$'000	Approximate % of the Group's total purchases for the year
Supplier A	21,139	29.0
Supplier G	8,479	11.6
Supplier B	5,179	7.1
Supplier H	5,062	6.9
Supplier I	4,389	6.0
Five largest suppliers in aggregate	44,248	60.6
All other suppliers	28,617	39.4
Total purchases	72,865	100.0

Set out below is the background information of the Group's top five suppliers during the Track Record Period:

Suppliers	Products sold and/or services provided to the Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Supplier A	Metal and aluminium fabrication	A company located in Hong Kong engaging in the aluminium engineering business	17 years	60 days upon receipt of invoice by cheque or import invoice financing
Supplier B	Glass	A subsidiary of a company engaging in glass fabrication and facade business which is listed in the PRC and the revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately RMB4.5 billion	Nine years	30 days upon receipt of invoice by cheque or import invoice financing

BUSINESS

Suppliers	Products sold and/or services provided to the Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Supplier C	Aluminium extrusion	A company located in Hong Kong engaging in the aluminium trading business	13 years	Collect on delivery by cheque
Supplier D	Metal and aluminium fabrication	A company located in Hong Kong engaging in the engineering and metal hardware processing business	Three years	30 days upon receipt of invoice by cheque
Supplier E	Metal and aluminium fabrication	A company located in Hong Kong engaging in the engineering business	10 years	30 days upon receipt of invoice by cheque or import invoice financing
Supplier F	Metal and aluminium fabrication	A company located in Hong Kong engaging in the metal processing business	Two years	30 days upon receipt of invoice by cheque
Supplier G	Aluminium and cladding fabrication	A company located in Hong Kong engaging in the sales of metal products business	11 years	30 days upon receipt of invoice by cheque or import invoice financing
Supplier H	Aluminium extrusion	A subsidiary of an aluminium profiles manufacturer listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately RMB5.6 billion	Five years	30 days upon receipt of invoice by cheque or import invoice financing

BUSINESS

Suppliers	Products sold and/or services provided to the Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Supplier I	Aluminium sliding systems	A company located in Hong Kong engaging in the facade solutions business	Two years	30 days upon receipt of invoice by cheque

All of the Group's top five suppliers during the Track Record Period are Independent Third Parties. To the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest (direct or indirect) in any of the Group's five largest suppliers during the Track Record Period.

Basis for selection of suppliers

The Group maintains an internal list of approved suppliers and such list is updated on a continuous basis. As at the Latest Practicable Date, the Group had no less than 127 approved suppliers on its internal list of approved suppliers. The Group selects the suppliers based on a number of criteria including but not limited to their technical capability, track records, prices, product quality and timely delivery. The Group generally sources materials from suppliers after the contract is awarded.

The Directors confirm that, during the Track Record Period, the Group did not experience any material shortage or delay in supply of goods or services required by the Group. Therefore, the Directors consider that the Group does not place any significant reliance on any single supplier and that the possibility of material shortage or delay is low given the abundance of suppliers of the same kind in the market. In addition, the Group did not experience any material fluctuation in the prices of goods during the Track Record Period. For the sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's material and processing charges, please refer to the section headed "Financial information — Principal components of results of operations — Cost of revenue — (i) Material and processing charges" in this prospectus. The Directors consider that the Group is able to pass on any increase in purchase costs to its customers as the Group generally takes into account the overall costs of undertaking a project when preparing the tender.

BUSINESS

Salient purchase terms

The Group generally makes purchase orders on a project-by-project basis instead of entering into long-term supply contracts with its suppliers. The Directors consider that such arrangement is in line with the industry practice in Hong Kong. During the Track Record Period, the Group made its purchases by placing purchase orders upon receiving quotations on the required materials and goods from the suppliers. The terms of the purchase orders issued by the Group to its suppliers may vary, the salient terms of a typical purchase order are shown below:

Material specification	:	A description of the materials required such as the type of materials, quantity, size and technical specification of the products.
Payment terms	:	Cash on delivery or in accordance with the Group's suppliers credit policy. For further details regarding the credit policy, please refer to the sub-section headed "Suppliers — Credit policy" in this section.
Deposit	:	Some of the Group's suppliers require 20% to 50% of the total purchase order amount as deposit while most of the Group's suppliers do not require any deposit.
Delivery	:	The Group's suppliers generally deliver the goods directly to the construction site or other designated location. Occasionally, the Group picks up the goods by themselves.
Warranty	:	For specific materials such as glass and finishes of aluminium, a warranty of 10 to 15 years will be provided by the suppliers.

Credit policy

During the Track Record Period, all of the Group's major suppliers were located either in Hong Kong or the PRC, and most of the purchase orders made by the Group were denominated in Hong Kong dollars or Renminbi. The credit period granted to the Group by its suppliers ranges from 0 to 60 days. The Group usually settles the payment by cheque or import invoice financing upon delivery of the products, but sometimes the Group pays cash upon delivery of the products.

BUSINESS

Inventory control

The Group maintains a minimal level of inventories. The Group's inventory mainly includes the raw materials to be fabricated by its suppliers, such raw materials are generally stored in the factories of the Group's suppliers. Set out below is a breakdown of the Group's inventories during the Track Record Period:

	As at 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Inventories			
Raw materials and consumables	<u>1,033</u>	<u>1,148</u>	<u>976</u>

There is no material obsolete stock in the Group's inventory due to the characteristic of the building materials. For a detailed inventory analysis, please refer to the section headed "Financial information — Inventory analysis" in this prospectus.

SUBCONTRACTORS

Profile of the Group's subcontractors

Both of the Group's design and build projects and one-off repair and maintenance work orders require labour intensive installation works. As the Group does not employ any direct labour, the Group subcontracts all the installation works to external subcontractors. During the Track Record Period, all of the Group's major subcontractors were located in Hong Kong.

Major subcontractors

For each of the three years ended 31 December 2016, the percentage of the Group's total subcontracting charges attributable to the Group's largest subcontractor amounted to approximately 24.5%, 24.6% and 23.7%, respectively, while the percentage of the Group's total subcontracting charges attributable to the Group's five largest subcontractors, in aggregate, amounted to approximately 58.2%, 72.1% and 64.4%, respectively.

BUSINESS

Set out below is a breakdown of the Group's subcontracting charges attributable to the Group's top five subcontractors during the Track Record Period:

For the year ended 31 December 2014

	Subcontracting charges for the year HK\$'000	Approximate % of the Group's total subcontracting charges for the year
Subcontractor A	8,786	24.5
Subcontractor B	5,243	14.6
Subcontractor C	3,690	10.3
Subcontractor D	1,652	4.6
Subcontractor E	<u>1,501</u>	<u>4.2</u>
Five largest subcontractors in aggregate	20,872	58.2
All other subcontractors	<u>14,919</u>	<u>41.8</u>
Total subcontracting charges	<u><u>35,791</u></u>	<u><u>100.0</u></u>

For the year ended 31 December 2015

	Subcontracting charges for the year HK\$'000	Approximate % of the Group's total subcontracting charges for the year
Subcontractor A	14,099	24.6
Subcontractor B	12,746	22.2
Subcontractor C	9,319	16.3
Subcontractor F	2,844	5.0
Subcontractor G	<u>2,289</u>	<u>4.0</u>
Five largest subcontractors in aggregate	41,297	72.1
All other subcontractors	<u>16,040</u>	<u>27.9</u>
Total subcontracting charges	<u><u>57,337</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 December 2016

	Subcontracting charges for the year <i>HK\$'000</i>	Approximate % of the Group's total subcontracting charges for the year
Subcontractor A	17,265	23.7
Subcontractor C	14,484	19.9
Subcontractor H	6,141	8.4
Subcontractor I	5,666	7.8
Subcontractor B	3,359	4.6
Five largest subcontractors in aggregate	46,915	64.4
All other subcontractors	25,970	35.6
Total subcontracting charges	72,885	100.0

Set out below is the background information of the Group's top five subcontractors during the Track Record Period:

Subcontractor	Services provided to the Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Subcontractor A	Installation works in relation to podium facade	A company located in Hong Kong engaging in the engineering business	Four years	30 days upon receipt of invoice by cheque
Subcontractor B	Provision of materials and installation works in relation to podium facade	A branch of a company located in Hong Kong engaging in the metal installation works business	11 years	30 days upon receipt of invoice by cheque
Subcontractor C	Installation works in relation to podium facade	A company located in Hong Kong engaging in the engineering business	Nine years	30 days upon receipt of invoice by cheque

BUSINESS

Subcontractor	Services provided to the Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Subcontractor D	Installation works in relation to glasses, aluminium and steel	A partnership located in Hong Kong engaging in the glass engineering business	Three years	30 days upon receipt of invoice by cheque
Subcontractor E	Installation works in relation to podium facade	A company located in Hong Kong engaging in the construction engineering business	Five years	30 days upon receipt of invoice by cheque
Subcontractor F	Installation works in relation to podium facade	A company located in Hong Kong engaging in the engineering business	Three years	30 days upon receipt of invoice by cheque
Subcontractor G	Installation works in relation to podium facade	A sole proprietorship located in Hong Kong engaging in the contracting business	Five years	30 days upon receipt of invoice by cheque
Subcontractor H	Installation works in relation to podium facade	A sole proprietorship located in Hong Kong engaging in the glass engineering business	Seven years	30 days upon receipt of invoice by cheque
Subcontractor I	Installation works in relation to podium facade	A company located in Hong Kong engaging in metal installation works	One year	30 days upon receipt of invoice by cheque

BUSINESS

All of the Group's top five subcontractors during the Track Record Period are Independent Third Parties. To the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date had any interest (direct or indirect) in any of the Group's five largest subcontractors during the Track Record Period.

Basis for selection of subcontractors

The Group maintains an internal list of approved subcontractors and such list is updated on a continuous basis. As at the Latest Practicable Date, the Group had no less than 200 approved subcontractors on its internal list of approved subcontractors. While assessing whether a subcontractor is qualified to be on the list, the Group carefully evaluates its company backgrounds, job reference, scope of works, warranty and quality system information.

In each project, the Group generally selects two or more subcontractors from the approved list based on their relevant skillsets and experience and invites them to provide a quotation. The Group will then select the most suitable subcontractor for the project with regard to, amongst other things, their capacity in taking up the required scope of works, fee quotation, quality of fabrication works and production plant capacity.

During the Track Record Period, the Group had engaged not less than 204 subcontractors. Therefore, the Directors consider that the Group does not place any significant reliance on any single subcontractor. For the sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges, please refer to the section headed "Financial information — Principal components of results of operations — Cost of revenue — (ii) Subcontracting charges" in this prospectus.

Control on subcontractors

The Group has a project management team to oversee each of its projects, of which a project manager is assigned to monitor and supervise the working process of the subcontractors and ensures that they have met the safety and workmanship requirements and are responsible for coordination work on the construction site. Furthermore, the project manager shall arrange a joint inspection with the customer upon completion of the work done by the subcontractors to ensure that they are in line with the contract design.

The Group requires all of its subcontractors to follow the applicable laws and regulations in relation to occupational health and safety at the construction site. According to the statutory requirement, all of the personnel at the construction site, including the Group's own personnel and the employees of the Group's subcontractors, are required to attend a construction industry safety training session on occupational health and safety regulations at the construction site and obtain the training certificate before entering the construction site. For further information on the Group's internal rules and regulations in relation to work quality, occupational health and safety, and environmental protection, please refer to the sub-sections headed "Quality control", "Occupational health and safety control" and "Environmental compliance" in this section.

BUSINESS

Salient terms of subcontracting agreements

The Group generally engages subcontractors on a project-by-project basis instead of entering into long-term subcontracting agreements with them. The Directors consider that such arrangement is in line with the industry practice in Hong Kong. The terms of each subcontracting agreement entered by the Group with its subcontractors may vary, the salient terms of a typical subcontracting agreement are shown below:

- Scope of work : The scope of services and types of works to be carried out by the subcontractor will be specified in the subcontracting agreement.
- Contract sum : In respect of lump sum fixed price contract, the whole contract sum will be agreed upon at engagement with certain percentage of variation allowance.
- In respect of remeasurement contract, the final contract sum will be determined based on agreed unit rates and measurement of quantities or work done.
- Insurance : The Group or its customers are responsible for all necessary insurances for its subcontractors, such as employees' compensation insurance, contractors all risk insurance and third party liability insurance.
- Payment terms : For further details regarding the payment terms, please refer to the sub-section headed "Subcontractors — Credit policy" in this section.
- Retention money : The Group generally withholds a certain amount of retention money in order to ensure that the Group's subcontractors will be responsible for their defective works.
- For further details on the Group's retention payable turnover days, please refer to the section headed "Financial information — Trade and other payables" in this prospectus.

Credit policy

The Group requires its subcontractors to submit a payment application for a monthly payment or interim payment on a regular basis, depending on the payment terms agreed between the Group and its customers. The payment application generally includes the estimated value of all works properly done and materials consumed, if applicable, by the Group's subcontractors during the period covered by the payment application. Each payment application will be reviewed and verified by the Group's project managers to check if the work has been properly done by the subcontractors. The Group will then prepare the payment accordingly.

BUSINESS

During the Track Record Period, all of the Group's major subcontractors are located in Hong Kong and most of the subcontracting agreements are denominated in Hong Kong dollars. The credit period granted to the Group by its subcontractors ranged from 30 to 60 days and the Group usually settles the payment to its subcontractors by cheques.

SALES AND MARKETING

During the Track Record Period, the Group secured new businesses mainly through direct invitation for tendering by customers.

MARKET AND COMPETITION

The Directors believe that the Group competes favourably with its competitors given the various competitive strengths of the Group as detailed in the sub-section headed "Competitive strengths" in this section.

According to the Ipsos Report, the revenue of the podium facade and curtain wall works industry in Hong Kong increased from approximately HK\$4,250.9 million in 2011 to approximately HK\$5,101.1 million in 2015, at a CAGR of approximately 4.7%. The growth was attributed to the increasing number of building projects and the rising project fee of podium facade works and curtain wall works in Hong Kong. The revenue of the podium facade and curtain wall works industry in Hong Kong is expected to continue its rising trend from approximately HK\$5,254.1 million in 2016 to approximately HK\$6,265.0 million in 2020, at a CAGR of approximately 4.5%. Such growth is mainly driven by the increase of land supply for the public and private residential buildings under the development plan for North East New Territories New Development Areas and conversion of government properties into commercial use. The continuous development of the New Territories is likely to bring business opportunities to the podium facade and curtain wall works industry in Hong Kong.

The curtain wall works industry in Hong Kong is considered mature and consolidated, which has approximately 20 major market players and is dominated by the top five of them. The podium facade works industry in Hong Kong is smaller than the curtain wall works industry with approximately 20 major market players and is dominated by the top five of them. In terms of the revenue of the podium facade works industry in Hong Kong in 2015, the Group ranked second with a market share of approximately 18.0%. For further information regarding the competitive landscape of the industry in which the Group operates, please refer to the section headed "Industry overview" in this prospectus.

HEDGING

During the Track Record Period and up to the Latest Practicable Date, the Group did not engage in any hedging activity.

BUSINESS

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, the Group did not engage in any research and development activity nor incurred any research and development expenses.

QUALITY CONTROL

G & M Engineering, one of the Group's operating subsidiaries, holds the following quality management certification:

Certification	Original Certification Date	Expiry Date
ISO 9001:2008	28 April 1999	14 September 2018

The business of the Group is operated under a set of procedures that complies with the ISO 9001:2008 quality standard. Each project of the Group has a project management team comprising, amongst others, an executive Director and a project manager who are responsible for the overall quality assurance of the project.

For the Group's quality control measures on its subcontractors, please refer to the sub-section headed "Subcontractors — Control on subcontractors" in this section.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group has appointed an independent internal control adviser to perform a detailed assessment of the Group's internal control system including the areas of financial, operation, compliance and risk management with an aim to, amongst other matters, improve the Group's internal control system including its risk management and corporate governance.

The internal control adviser began its first round review on the Group's internal control system in November 2015 and issued a report concerning the internal control system of the Group in February 2016. As at the Latest Practicable Date, the Group has adopted the internal control measures and rectified the weakness in the internal control system as recommended by the internal control adviser. Major internal control measures and policies adopted by the Group are as follows:

- (i) the Group has established the policy and procedure for annual budget costs. The annual budget plan will be prepared by the account clerk and reviewed by account manager in every October. In addition, the variance analysis will be prepared and reviewed semi-annually;
- (ii) the Group has implemented cash flow forecast process in order to monitor its cashflow properly. The account clerk is responsible for preparing the monthly cash flow forecast report and the report will be reviewed by the responsible Director;

BUSINESS

- (iii) the Group has established various policies and procedures to project management, subcontracting, supplier, inventory management and finance and accounting. Some of the policies and procedures have been circulated to relevant staff and will be reviewed and updated by the Group's management;
- (iv) the Group has adopted the policy and procedure to the budget of every project. The contract manager is responsible for preparing the project cash flow forecast report and the report will be reviewed and approved by the responsible Director; and
- (v) the Group has adopted preventive measures to ensure its tendering process is in compliance with the Competition Ordinance, including not colluding with other market participants on any parameter of competition such as price and output. The Group's staff members are prohibited to enter into any kind of arrangements or agreements with the Group's competitors in the market that will cause price fixing, output restriction, market sharing or the rigging of potential bids or to conduct any acts which aims to prevent, restrict or distort competition in Hong Kong. The Directors confirm that the Group will regularly seek legal advice on whether the Group's arrangements comply with the Competition Ordinance.

After reviewing the first round report and discussing with the internal control adviser, save and except for the aforesaid weaknesses, the Directors understood from the internal control adviser that based on the work performed by them, there were not any other findings of material deficiencies in the Group's internal control system. In November 2016, the internal control adviser performed a follow-up review by focusing on the remedial actions undertaken by the management of the Group on the control deficiencies identified in the first round review. Based on the result of the follow-up review, the Directors confirmed that the Group had adopted all of the internal measures and policies suggested by the internal control adviser and did not have any significant deficiencies in its internal control system as at the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Group has established in-house ESG policies to monitor its environmental and social sustainability. Such policies are summarised as below:

Environmental protection

- 1. Reducing emission, resources usage and environmental impact
 - The Group's business operation does not directly produce greenhouse gas. Besides, the Group monitors fuel consumption/ mileage usage in the motor vehicles of the Group.
 - The Group's business operation does not produce hazardous waste.
 - The Group's staff is responsible for switching off unused lighting in his/her respective section of office.
 - The Group collects office electricity consumption data for monthly reporting.

BUSINESS

Workplace quality

1. Working conditions
 - The Group has periodic staff performance assessments to evaluate staff performance for salary adjustment and promotion and shares its financial rewards with employees by way of annual discretionary bonus.
 - The Group promotes a fair workplace and protects potential and existing employees from being at a disadvantage or excluded on the basis of characteristics such as gender, age, race, marital status and religious belief or other characteristics.
2. Health and safety
 - The Group has tailor-made project safety plans for each project.
 - All workman and supervisory staff are required to attend various vocational training such as safety induction course, toolbox training and manual lifting training, etc.
 - Safety supervisor carries out site safety inspection and prepares inspection reports on a regular basis.
3. Development and training
 - The Group provides various vocational training programmes to staff in order to provide them with opportunities to advance their career. In addition, it provides sponsorships to staff to attend external job-related training courses.
4. Labour standards
 - The Group prohibits the employment of children or forced labour and strictly follows the Employment Ordinance.

Operating practices

1. Supply chain management
 - The Group sets up a supply chain sustainability working group to share best practices and to develop sustainability policies and guidelines.
 - The Group follows its ISO 9001 procurement procedure to engage suppliers.
2. Product responsibility
 - The Group offers warranty, generally ranging from 10 to 15 years, for its projects according to the contract specification requirement on project basis.
3. Anti-corruption
 - The Group requires staff to declare any conflicts of interest and encourages reporting of any suspected misconduct through a whistle-blowing mechanism. Besides, it takes appropriate disciplinary actions or reports to the regulators in the event of contravention by any subcontractors or suppliers.
4. Community investment
 - The Group sponsors its staff for participating in charity activities.

BUSINESS

OCCUPATIONAL HEALTH AND SAFETY CONTROL

Occupational health and safety control measures

The Group has established procedures to provide its workers with a safe and healthy working environment by specifying various safety control measures and in-house rules in its safety plan which include, amongst other things, safety team organisation chart, safety and health training requirements, safety rules and regulations for in-house and for construction site, requirements for preparation of method statement, statutory obligations, safety inspection and reporting policy, job-hazard and risk assessment, accident/incident investigation plan, emergency preparedness, introduction of personal protective equipment as well as safety measures in relation to various potential dangers at work site.

The Group normally conducts onsite inspections at least once a week. In addition, the Group provides its employees with, and subsidises its employees to attend, occupational safety education and training organised by it and by external parties to enhance their awareness of work safety.

Accidents during the Track Record Period and up to the Latest Practicable Date

Although the Group has implemented a safety plan to mitigate accident risks, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. For each of the three years ended 31 December 2016 and the subsequent period up to the Latest Practicable Date, the Group recorded three, six, eight and nil accident(s), respectively, which gave rise or may give rise to potential employees' compensation and personal injury claims.

The following table sets forth the nature of the 17 accidents that occurred during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	Number of accidents
Injury whilst lifting or carrying	5
Slip, trip or fall on same level	4
Fall from height	4
Striking against fixed or stationary object	3
Eye injury by small metal fragments	1
	<u>17</u>

Injured workers may claim against the Group pursuant to the Employees' Compensation Ordinance and/or common law. With respect to injuries where the injured workers had only made an employees' compensation claim, the compensation paid to the injured workers under the Employees' Compensation Ordinance would not exempt the liabilities of the Group under common law. Pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the limitation period for making a claim for personal injury under common law is three years from the date of the relevant accident.

BUSINESS

As such, it is still possible for the injured worker to instigate claims against the Group under common law, provided that the limitation period has not yet expired as at the Latest Practicable Date. On the other hand, the compensation paid to such injured worker, if any, would be reduced and off-set by the compensation already paid to the worker under the Employees' Compensation Ordinance.

Save as disclosed above, the Group did not experience any significant incidents or accidents in relation to workers' safety during the Track Record Period and up to the Latest Practicable Date. The Directors confirm that the damages and liabilities arising from these accidents that happened during the Track Record Period and up to the Latest Practicable Date are covered by employee compensation insurance taken out for the relevant construction projects. For further details on outstanding litigation and potential claims relating to employees' compensation claims under the Employees' Compensation Ordinance or personal injury claims under common law, please refer to the sub-section headed "Litigation and potential claims" in this section.

Analysis on accident rate

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between the Group and the industry average during the Track Record Period:

	Industry average in Hong Kong (Note 1)	The Group (Note 2)
2014		
Accident rate per 1,000 workers	41.9	2.4
Fatality rate per 1,000 workers	0.242	Nil
2015		
Accident rate per 1,000 workers	39.1	3.2
Fatality rate per 1,000 workers	0.200	Nil
2016		
Accident rate per 1,000 workers	N/A (Note 3)	3.6
Fatality rate per 1,000 workers	N/A (Note 3)	Nil

Notes:

1. The figures are based on the Occupational Safety and Health Statistics Bulletin No. 16 (August 2016) published by Occupational Safety and Health Branch, Labour Department, in which the accident rate is calculated as the number of industrial accidents during the year divided by the employment size which are based on the Quarterly Report of Employment and Vacancies Statistics published by the Census and Statistics Department.

BUSINESS

2. The Group's accident rate is calculated as the number of industrial accidents during the year divided by the daily average of the construction site workers (consisted of the employees of the Group's subcontractors only) in the Group's construction sites during the year and multiplied by 1,000.
3. The relevant data has not been published as at the Latest Practicable Date.

The following table sets forth the Group's lost time injuries frequency rate ("LTIFR") during the Track Record Period:

	LTIFR (Notes)
For the year ended 31 December 2014	297
For the year ended 31 December 2015	397
For the year ended 31 December 2016	445

Notes:

- (1) LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year, divided by the number of reportable cases and multiplied by 1,000,000, assuming that the working hour of each worker is 8 hours per day.
- (2) The Directors confirm that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong.

ENVIRONMENTAL COMPLIANCE

Environmental compliance measures

The Group's operations are subject to certain environmental requirements pursuant to laws in Hong Kong, including primarily those in relation to air pollution control, noise control, waste disposal and disposal of waste water. For further details of the regulatory requirements, please refer to the section headed "Regulatory overview — I. The laws and regulations of Hong Kong — Laws and regulations in relation to environmental protection" in this prospectus.

BUSINESS

The Group's in-house rules contain measures and work procedures governing the environmental protection compliance that are required to be followed by the Group's employees. Such measures and procedures include, amongst others:

Area	Measures
Air pollution control	(i) Dust suppression by use of water (ii) Installation of dust screens as required (iii) Use of low-dust techniques and equipment as required
Noise control	(i) Inspection and maintenance of all equipment before use for compliance of permitted noise level (ii) Works to be undertaken in accordance with the permitted work hours as specified by the customers
Waste disposal	(i) Waste to be segregated into general wastes and construction wastes before transporting to site rubbish collection point designated by the customers

Track record in relation to environmental compliance

During the Track Record Period and up to the Latest Practicable Date, there was no material breach of the Group's in-house environmental protection rules by the Group's staff or non-compliance with the applicable laws and regulations relevant to environmental protection.

INSURANCE

During the Track Record Period, the Group secured insurance policies as set out in the following paragraphs. The Directors consider that the existing insurance coverage is adequate and consistent with the industry norm having regard to the Group's current operations and the prevailing industry practice. The Directors confirm that no claims have been made in respect of any of the Group's insurance policies during the Track Record Period and up to the Latest Practicable Date.

The Group maintains insurance coverage against, amongst other matters, (i) liability for third party bodily injury and damages to third party property occurring on the Group's office premises; (ii) employees' compensation; and (iii) third-party liability in relation to the use of the Group's vehicles.

The Directors are of the view that the Group's insurance coverage is adequate and consistent with industry norm.

BUSINESS

EMPLOYEES

Number of employees by function

As at 31 December 2014, 2015, 2016 and the Latest Practicable Date, the Group had a total of 44, 42, 73 and 73 employees, respectively. All of the employees of the Group are stationed in Hong Kong and the PRC. The following table sets forth a breakdown of the number of the Group's employees by functions:

	As at 31 December			As at the Latest Practicable Date
	2014	2015	2016	
Hong Kong				
Management	6	6	7	7
Project management	23	20	23	23
Sales and marketing	1	1	1	1
Administration, accounting and finance	4	5	5	5
Procurement	—	—	2	2
Design	10	10	12	12
	<u>44</u>	<u>42</u>	<u>50</u>	<u>50</u>
The PRC				
Administration, accounting and finance	—	—	2	2
Design and shop drawing	—	—	21	21
	<u>—</u>	<u>—</u>	<u>23</u>	<u>23</u>
Total	<u><u>44</u></u>	<u><u>42</u></u>	<u><u>73</u></u>	<u><u>73</u></u>

Relationship with staff

The Directors consider that the Group has maintained a good relationship with its employees. The Directors confirm that the Group has complied with all applicable labour laws and regulations in all material aspects in Hong Kong and the PRC.

The Directors confirm that the Group had not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor had the Group experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by employees.

BUSINESS

Recruitment policy

The Group recruits its employees from the open market mainly through placing recruitment advertisements. The Group intends to use its best efforts to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continual basis and will determine whether additional personnel are required to cope with the business development of the Group.

Training and remuneration policy

The Group enters into separate employment contracts with each of its employees. The remuneration package offered to the Group's employees generally included basic salaries, bonuses and other cash allowances or subsidies. The Group determines the commencing salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts an annual review on salary increase, discretionary bonuses and promotions based on, including but not limited to, the performance of each employee, the overall Hong Kong economy and the profitability of the Group.

The Group sponsors its employees to attend various external training courses. For details, please refer to the sub-section headed "Occupational health and safety control" in this section.

PROPERTIES

Owned property

During the Track Record Period and up to the Latest Practicable Date, the Group did not own any property.

BUSINESS

Leased properties

The Group currently leased two properties and two carparks in Hong Kong and one property in the PRC, details of which are set out below:

No.	Location	Gross floor area	Term/option	Lesser	Key terms of the tenancy	Use of the property
1	Units 1709-14, 17th Floor Manhattan Centre 8 Kwai Cheong Road Kwai Chung New Territories Hong Kong	6,897 sq. ft.	From 18 April 2016 to 17 April 2019	An Independent Third Party	Monthly rent of HK\$115,100	For general office and operational use
2	Units 1401-2, 14th Floor Manhattan Centre 8 Kwai Cheong Road Kwai Chung New Territories Hong Kong	2,263 sq. ft.	From 21 December 2015 to 20 December 2017	An Independent Third Party	Monthly rent of HK\$38,471	For general office and operational use
3	A carpark lot in Manhattan Centre 8 Kwai Cheong Road Kwai Chung New Territories Hong Kong	N/A	Monthly renewal	An Independent Third Party	Monthly rent of HK\$2,600	Carpark
4	Carpark No. 5, D-5 Lung Tang Court 88-90 Castle Peak Road Tsing Lung Tau Tsuen Wan New Territories Hong Kong	N/A	From 1 July 2016 to 30 June 2018	An Independent Third Party	Monthly rent of HK\$2,500	Carpark
5	Room 31A-B, Block A Zhenye Building 2014 Baoan Nan Road Luohu District Shenzhen PRC	194.26 sq. m.	From 1 January 2017 to 31 December 2019	An Independent Third Party	Monthly rent of RMB15,735, RMB16,207 and RMB16,693 for 2017, 2018 and 2019, respectively	For general office and operational use

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, the Group had not experienced any difficulty in renewing the leases.

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, the Group had registered one trademark in Hong Kong and the Group was applying for one trademark in Hong Kong. For further details, please refer to section headed “Statutory and general information — B. Further information about the business of the Group — 2. Intellectual property rights of the Group — (a) Trademarks” in Appendix IV to this prospectus.

Domain name

As at the Latest Practicable Date, the Group had registered one domain name, being www.gm-eng.com.hk in Hong Kong. For further details, please refer to the section headed “Statutory and general information — B. Further information about the business of the Group — 2. Intellectual property rights of the Group — (b) Domain name” in Appendix IV to this prospectus.

COMPLIANCE

The Directors confirm that the Group has complied with all applicable laws and regulations in all material aspects in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, the Group was involved in a number of civil claims, litigations and pending or threatened claims and the details are as below:

(1) Outstanding civil litigations as at the Latest Practicable Date

No.	Nature of incident/ claim	Date/ period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/ estimated quantum of damages claimed	Status
1	A claim for employee's compensation by the plaintiff in 2014, it was alleged that the plaintiff suffered from injuries to his head, both upper limbs and lower back when he was working at a construction site in Tai Po, Hong Kong.	28 May 2012	Employee of the subcontractor of the Group	(a) G & M Engineering as the main contractor (b) Subcontractor of the Group	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is liable.	As at the Latest Practicable Date, the Directors confirm that the case is being handled by solicitors nominated by the insurance company.
2	Claims for employee's compensation and damages for personal injuries sustained by the plaintiff by the spouse of the plaintiff for herself and on behalf of other members of the family of the plaintiff in 2014 and 2015 respectively, it was alleged that the plaintiff fell from a height of approximately 1.7 metres and suffered serious injuries to his left buttock, perianal area and teeth when he was working on scaffolding at the construction site in Tuen Mun, Hong Kong.	1 September 2012	Employee of the Group	(a) G & M Engineering as the subcontractor (b) Main contractor of the project	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is liable.	As at the Latest Practicable Date, the Directors confirm that the case is being handled by solicitors nominated by the insurance company.

BUSINESS

No.	Nature of incident/ claim	Date/ period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/ estimated quantum of damages claimed	Status
3	A claim for employee's compensation by the plaintiff in 2014, it was alleged that the plaintiff suffered from finger cut when he was working at the construction site in Tuen Mun, Hong Kong.	24 June 2013	Employee of the Group	(a) G & M Engineering as the subcontractor (b) Main contractor of the project	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is liable.	As at the Latest Practicable Date, the Directors confirm that the case is being handled by solicitors nominated by the insurance company.
4	A claim for employee's compensation by the plaintiff in 2015, it was alleged that the plaintiff suffered from right elbow injury when he was working at the construction site in Yuen Long, Hong Kong.	11 October 2014	Employee of the subcontractor of the Group	(a) G & M Engineering as the subcontractor (b) Main contractor of the project (c) Subcontractor of the Group	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is liable.	As at the Latest Practicable Date, the Directors confirm that the case is being handled by solicitors nominated by the insurance company.

BUSINESS

No.	Nature of incident/ claim	Date/ period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/ estimated quantum of damages claimed	Status
5	A claim for employee's compensation by the plaintiff in 2017, it was alleged that the plaintiff suffered from right chest injury when he was working at a construction site in Yuen Long, Hong Kong.	5 January 2015	Employee of the Group	(a) Main contractor of the project (b) G & M Engineering as the subcontractor (c) G & M Maintenance as the subcontractor	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is liable.	As at the Latest Practicable Date, the Directors confirm that the case is being handled by solicitors nominated by the insurance company. According to the mediation certificate of the plaintiff dated 4 January 2017, the plaintiff was willing to attempt mediation with a view to settle the proceedings.
6	A claim for employee's compensation by the plaintiff in 2015, it was alleged that the plaintiff suffered from left chest wall injury when she was working at a construction site in Yuen Long, Hong Kong.	19 January 2015	Employee of the subcontractor of the Group	(a) G & M Engineering as the subcontractor (b) Main contractor of the project (c) Subcontractor of the Group	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is liable.	As at the Latest Practicable Date, the Directors confirm that the case is being handled by solicitors nominated by the insurance company.

BUSINESS

No.	Nature of incident/ claim	Date/ period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/ estimated quantum of damages claimed	Status
7	A claim for employee's compensation by the plaintiff in 2017, it was alleged that the plaintiff suffered from waist injury when he was working at a construction site in Tung Chung, Hong Kong.	4 November 2015	Employee of the subcontractor of the Group	(a) G & M Engineering as the subcontractor (b) Main contractor of the project (c) Subcontractor of the project	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is liable.	As at the Latest Practicable Date, the Directors confirm that the case is being handled by solicitors nominated by the insurance company.
8	A claim for employee's compensation by the plaintiff in 2016, it was alleged that the plaintiff suffered from injury of right leg, knee and ankle when he was working at a construction site in Yuen Long, Hong Kong.	21 July 2016	Employee of the Group	(a) G & M Engineering as the subcontractor (b) Main contractor of the project	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is liable.	As at the Latest Practicable Date, the Directors confirm that the case is being handled by solicitors nominated by the insurance company.

BUSINESS

No provision was made for the above cases as the Directors believe that the amount of claims is within the amount of insurance coverage which was taken out either by the Group or the main contractor and the Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

No.	Nature of incident/ claim	Date/ period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/ estimated quantum of damages claimed	Status
9	Claims of alleged outstanding fees under certain supply contracts and settlement agreement by a glass panel supplier who had previously supplied glass panels to G & M Engineering (<i>Note 1</i>)	From February 2005 to January 2016	A glass panel supplier in Hong Kong	G & M Engineering	Approximately HK\$920,000 plus interests and costs (<i>Note 2</i>)	As at the Latest Practicable Date, the Group and the plaintiff were in negotiation on the arrangement of conducting a mediation for the case.

Notes:

1. G & M Engineering and the glass panel supplier entered into certain supply contracts pursuant to which the glass panel supplier agreed to supply laminated glass which would not delaminate and provide the manufacturer's warranty for the laminated glass. However, some of the laminated glass delaminated. After negotiation and entering into a settlement agreement, the glass panel supplier still failed to replace the delaminated glass and provide the manufacturer's warranty as required by G & M Engineering. As such, G & M Engineering considered that they were entitled to (i) withhold certain payment until the glass panel supplier performed its obligations under the settlement agreement; and (ii) set off certain amount payable to the glass panel supplier by the extra costs incurred for the replacement of delaminated glass. The glass panel supplier disagreed and brought the claim against G & M Engineering in 2016. G & M Engineering then lodged a defence and counterclaim, with the amount to be assessed by the court. The case was still ongoing as at the Latest Practicable Date. The Directors confirm that there was no material adverse impact on the operation and financial performance of the Group. Further, taking into account all the circumstances of the proceedings, the nature of the plaintiff's claim and G & M Engineering's defence and counterclaim; and the fact that the amount claimed has already been included in G & M Engineering's accounts as trade payable and advances to the plaintiff, as advised by the Company's legal advisers as to Hong Kong law, the Directors consider that there will not be any material adverse impact on the operation and financial performance of the Group.
2. In connection with this claim, G & M Engineering has already included an aggregate sum of approximately HK\$1,400,000 as trade payable and approximately HK\$480,000 as advances to the plaintiff in its accounts since the year ended 31 December 2009. As such, the Directors consider that no provision has to be made for this case.

(2) Potential employees' compensation claims and personal injuries claims as at the Latest Practicable Date

All injured persons may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant accidents.

BUSINESS

As at the Latest Practicable Date, out of the 17 accidents that happened during the Track Record Period and up to the Latest Practicable Date, there were (i) three accidents in respect of which employees' compensation claims with an aggregate settlement amount of approximately HK\$17,000 were settled; (ii) seven accidents in respect of which, to the best knowledge of the Directors, the employees' compensation claims and/or common law claims were either fully settled by the respective contractor or insurance company, or withdrawn by the employee; (iii) five accidents in respect of which summons had been received and legal proceedings for employees' compensation claims have commenced and were outstanding; and (iv) two accidents in respect of which the injured persons have not yet filed any claims or commenced legal proceedings against the Group or the injured persons are still receiving periodical payments.

Regarding the abovementioned five accidents in respect of which summons had been received and legal proceedings for employees' compensation claims have commenced and were outstanding, the limitation period of the corresponding potential personal injury claim against the Group had not expired. Regarding the abovementioned two accidents in respect of which the injured persons have not yet filed any claims or commenced legal proceedings against the Group or the injured persons are still receiving periodical payments, as at the Latest Practicable Date, the limitation period of the respective potential employees' compensation claim and respective potential personal injury claim had not expired.

As such, as at the Latest Practicable Date, the Group had a total of two potential employees' compensation claims and seven potential personal injury claims.

Since no civil action has commenced, the claims, when filed, will be handled by solicitors appointed by the insurers, the Group is not in a position to assess the likely quantum of such potential claims. For further details of the abovementioned 17 accidents, please refer to the sub-section headed "Occupational health and safety control — Accidents during the Track Record Period and up to the Latest Practicable Date" in this section.

In any event, the Group has insurance coverage for its liabilities of all these accidents and as at the Latest Practicable Date, notices of the accidents had been given to the insurers. It is expected that the injured persons would be fully covered by the mandatory insurance held either by the Group or the relevant main contractor.

Save as disclosed in this prospectus, no other claim or litigation of material importance was known to the Directors to be pending or threatened against any member of the Group during the Track Record Period and as at the Latest Practicable Date.

Indemnity given by the Controlling Shareholders

In relation to the aforesaid, the Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above legal proceedings. Please refer to the section headed "Statutory and general information — E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus for further details.

BUSINESS

No other litigation

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF THE COMPANY

On 9 January 2017, Mr. Lee and Mr. Leung entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Group during the Track Record Period and will continue the same as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the section headed “History, Reorganisation and corporate structure — Parties acting in concert” in this prospectus.

Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that no Share is issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), (i) Luxury Booming will be interested in 75% of the issued Shares; and (ii) by virtue of the acting in concert arrangement between Mr. Lee and Mr. Leung which is confirmed and documented in the Concert Parties Confirmatory Deed, as Mr. Lee, Mr. Leung and the company wholly owned by them, namely Luxury Booming, will collectively continue to control more than 30% of the issued share capital of the Company upon Listing, they will be a group of Controlling Shareholders within the meaning of the Listing Rules.

COMPANIES OWNED BY THE CONTROLLING SHAREHOLDERS WITH SIMILAR PRINCIPAL ACTIVITIES TO THAT OF THE GROUP WHICH ARE NOT INCLUDED IN THE GROUP

During the Track Record Period and as at the Latest Practicable Date, the Controlling Shareholders had interests in several companies with similar principal activities to that of the Group that did not form part of the Group. Details of such companies are as follows:

Special Glass & Seals Works Limited (特殊玻璃工程有限公司) (“Special Glass”)

Special Glass was incorporated in Hong Kong with limited liability on 15 September 2000, and was owned as to 75% by Mr. Leung and 25% by Ms. Lam as at the Latest Practicable Date. During the two years ended 31 March 2015, Special Glass mainly provided construction services. The Group did not enter into any transaction with Special Glass during the Track Record Period. As (i) Mr. Leung decided to reduce his involvement in his construction business and spend more time with his family; and (ii) Ms. Lam, who was not involved in the daily operation of Special Glass, had no intention to continue the business of Special Glass, Mr. Leung and Ms. Lam had ceased the business of Special Glass since April 2015. An application for deregistration of Special Glass had been subsequently filed to the Companies Registry in November 2016. Special Glass received an approval letter dated 22 November 2016 from the Companies Registry regarding the said application for deregistration. Special Glass was dissolved by deregistration on 31 March 2017.

G&M Engineering (Macau) Ltd. (信越工程(澳門)有限公司) (“G&M (Macau)”)

G&M (Macau) was incorporated in Macau with limited liability on 3 June 2005 with a registered capital of MOP25,000. As at the date of its incorporation and up to the date of its dissolution, G&M (Macau) was owned as to 50% by Mr. Lee and 50% by Mr. Leung. G&M (Macau) was mainly engaged

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

in construction engineering and fitting-out works in Macau. As G&M (Macau) did not engage in any substantial business during the Track Record Period and Mr. Lee and Mr. Leung decided that it is more beneficial to focus their financial resources elsewhere, G&M (Macau) was dissolved by way of voluntary winding-up by its shareholders on 6 November 2015.

G&M-KPa (Macau) Company Limited (信越應力(澳門)有限公司) (“G&M-KPa”)

G&M-KPa was incorporated in Macau with limited liability on 2 May 2007 with a registered capital of MOP25,000. As at the date of its incorporation and up to the date of dissolution, G&M-KPa was owned as to 60% by G&M (Macau) and 40% by an Independent Third Party. G&M-KPa was originally intended to be principally engaged in construction engineering. As G&M-KPa did not engage in any substantial business during the Track Record Period and Mr. Lee, Mr. Leung and the said Independent Third Party decided that it is more beneficial to focus their financial resources in their respective businesses, G&M-KPa was dissolved by way of voluntary winding-up by its shareholders on 3 December 2014.

The Directors confirm that each of Special Glass, G&M (Macau) and G&M-KPa had no material non-compliance incidents during the Track Record Period.

Save as disclosed herein, the Controlling Shareholders have confirmed that none of them and their respective close associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of the Group and there was no competing business between the Controlling Shareholders and the Group.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors believe that the Group is capable of carrying on the Group’s business independently from the Controlling Shareholders and their close associates after the Share Offer and the Capitalisation Issue.

Management independence

The Company aims to establish and maintain a competent and independent Board to supervise the Group’s business. The main functions of the Board include (i) approving the overall business plans and strategies of the Group; (ii) monitoring the implementation of the aforesaid policies and strategies; and (iii) managing the operation of the Group.

The Board comprises two executive Directors, one non-executive Director, and three independent non-executive Directors. Although Mr. Lee and Mr. Leung, being the ultimate Controlling Shareholders, also hold directorships in the Company, the Board and senior management will function independently from the Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director which require, amongst other things, that he acts for the benefit and in the best interest of the Company and does not allow any conflict between his duties as a Director and his personal interests; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective close associates, the interested Director(s) shall declare such interests to the Board and abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum.

Operational independence

The Group has established its own organisational structure comprising of individual departments, each with specific areas of responsibilities. The Group has not shared its operational resources, such as sales and marketing and general administration resources, with the Controlling Shareholders and/or their respective close associates. Save for Kentan (HK) Company Limited and Profit Bright Enterprises Limited as disclosed in the section headed “Financial information — Related party transactions” in this prospectus, the customers, suppliers and subcontractors of the Group are all independent from the Controlling Shareholders and the Group does not rely on the Controlling Shareholders or their respective close associates and has independent access to customers and suppliers.

As at the Latest Practicable Date, there were no business transactions between the Group and any of the Controlling Shareholders.

Based on the above, the Directors are of the view that the Group is independent of the Controlling Shareholders in terms of business operations.

Financial independence

The Group has its own financial management and accounting systems, accountant and administration department and independent treasury functions, and it makes financial decision according to its own business needs.

During the Track Record Period and up to the Latest Practicable Date, Mr. Lee had provided personal guarantees for the banking facilities and financial lease arrangement used by the Group. The banks have agreed in principle that the above personal guarantees will be released and replaced by the corporate guarantees executed by the Company upon Listing. The Directors confirmed that the outstanding finance lease liabilities would be settled prior to the Listing and after full repayment of such finance lease liabilities, the aforementioned personal guarantee given by Mr. Lee will be released. Save as disclosed above, the Directors are of the view that the Group is not financially dependent on the Controlling Shareholders or their respective close associates in the Group’s business operations and the Group is able to obtain external financing on market terms and conditions for its business operations as and when required without reliance on the Controlling Shareholders after Listing.

Having considered the above factors, the Directors consider that the Group has no financial dependence on the Controlling Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders, the Directors and their respective close associates do not have any interest in a business (apart from the Group's business) which competes and is likely to compete, directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKING

The Controlling Shareholders as covenantors (each of them, a "**Covenantor**" and collectively, the "**Covenantors**") executed the Deed of Non-Competition in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on the Stock Exchange; or (ii) the date on which that Covenantor and his/its close associates (individually or taken as a whole) cease to be a Controlling Shareholder:

1. **Non-competition**

Each Covenantor jointly and severally and irrevocably undertakes and covenants to the Company (for itself and as trustee for and on behalf of each of the subsidiaries of the Group) that each of them will not, and will procure that its/his close associates (except any members of the Group) will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, amongst other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on by any member of the Group (including but not limited to the provision of (i) one-stop design and build solutions in relation to podium facade and curtain wall works for both private and public sectors; and (ii) the provision of repair and maintenance services for podium facade and curtain wall in Hong Kong) or contemplated to be carried on by any member of the Group, in Hong Kong or any other jurisdiction where the Group has conducted business as at the date of the Deed of Non-Competition or may conduct business from time to time in the future ("**Restricted Business**").

2. **New business opportunity**

Each of the Covenantors hereby represents and warrants that neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Each of the Covenantors further undertakes to refer to the Company within 10 days any and all new opportunities in connection with the Restricted Business (“**New Business Opportunity**”) which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of Non-Competition does not apply amongst others:

1. where any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business that has first been offered or made available to the Group, provided the written notice containing such offer should contain all information reasonably necessary for the Group to consider whether (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of the Group and the shareholders of the Company as a whole to pursue such opportunity, and the Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his close associate(s), provided that the principal terms by which that Covenantor (or its/his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to the Company. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from the Company confirming that the New Business Opportunity is not accepted or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by the Company, or such longer period of time, not longer than 180 days to be specified by the Company by notice in writing to the Covenantors, where the Company’s acceptance of the New Business Opportunity is subject to the approval from the Stock Exchange or the independent shareholders of the Company or governmental or regulatory authorities;
2. where the Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business in co-operation with the Covenantor and/or its/his close associates (or any of them, as the case may be), pursuant to the above, provided that prior written consent of the Company must be obtained before the Covenantor and/or its/his close associates can invest, participate, be engaged in and/or operate such Restricted Business with the Group. The Company will comply with the requirements of the Listing Rules in case of such cooperation with the Covenantor and/or its/his its associates (or any of them, as the case may be);
3. to restrict the Covenantors or any of its/his close associates from acquiring or having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of the relevant company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) the total number of the shares held by the Covenantors and/or their respective close associates or in which they are together interested does not exceed 5% of the issued shares of that class of the company in question (the “**Relevant Company**”), provided that (i) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholdings in the Relevant Company; and (ii) at all times there is a holder of such shareholding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and their respective close associates together hold.

3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) as required by the Company, provide all information which is necessary for the independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (b) the Controlling Shareholders undertake to provide promptly all information requested by the Company which is necessary for the annual examination by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (c) wherever the Board needs to consider and make any decision on whether to accept any New Business Opportunity or any other matters in relation to the Deed of Non-Competition, each of the Covenantors who is a Director and has a material interest in such matters shall abstain from voting on the relevant resolution(s) and shall also not be counted in the quorum;
- (d) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-Competition.

In addition to the above, the Company will also adopt the following corporate governance measures:

- (a) disclose to the public either in the annual report of the Company or issue a public announcement in relation to any decisions made by the independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it; and
- (b) where the independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of the Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Committee granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on the Stock Exchange taking place.

As the Covenantors have given non-competition undertakings in favour of the Company (for itself as trustee for and on behalf of its subsidiaries), and none of them have interests in other businesses that compete or are likely to compete with the business of the Group, the Directors are of the view that they are capable of carrying on the Group's business independently of the Covenantors following the Listing.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. LEE Chi Hung (李志雄)	51	18 November 1993	29 November 2016	Executive Director, chairman of the Board and chief executive officer	Overall management of the Group's operations and business development	Nil
Mr. CHAN Wai Yin (陳偉賢)	51	16 February 1999	9 January 2017	Executive Director	Overall management and overseeing and monitoring of projects of the Group	Nil
Mr. LEUNG Ping Kwan (梁炳坤)	55	1 April 2014	9 January 2017	Non-executive Director	Provide technical advice in relation to the Group's business	Nil
Professor WONG Roderick Sue Cheun (王世全)	72	12 May 2017	12 May 2017	Independent non-executive Director	Provide independent judgement on the Group's strategy, performance, resources and standard of conduct	Nil
Mr. TAI Kwok Leung, Alexander (戴國良)	59	12 May 2017	12 May 2017	Independent non-executive Director	Provide independent judgement on the Group's strategy, performance, resources and standard of conduct	Nil
Mr. KWAN Cheuk Kui (關卓鉅)	53	12 May 2017	12 May 2017	Independent non-executive Director	Provide independent judgement on the Group's strategy, performance, resources and standard of conduct	Nil

Executive Directors

Mr. LEE Chi Hung (李志雄), aged 51, is an executive Director, the chairman of the Board and the chief executive officer of the Company. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Lee is the co-founder of the Group and is primarily responsible for the overall management of the Group's operations and business development. Mr. Lee was appointed as a Director on 29 November 2016 and was re-designated as an executive Director on 9 January 2017. He is also a director of Join Forward, G & M Maintenance, G & M Engineering, G & M Contracting and G & M Design.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee obtained an endorsement to higher certificate in mechanical engineering from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1988. Mr. Lee has over 23 years of experience in the construction industry in Hong Kong since joining the Group. In November 1993, Mr. Lee founded G & M Engineering with Ms. Ku and he has been handling the Group's business development and operations since then.

Mr. Lee did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. CHAN Wai Yin (陳偉賢), aged 51, was appointed as an executive Director on 9 January 2017 and is primarily responsible for overall management and overseeing and monitoring of projects of the Group. Mr. Chan joined the Group in February 1999. He obtained a degree of Bachelor of Business Administration from The University of Oklahoma in the United States in May 1991.

Mr. Chan has over 20 years of experience in the construction industry in Hong Kong. Mr. Chan worked for Tostem Hong Kong Limited from November 1993 to July 1995 and his last position held was senior sales executive. Prior to joining the Group in February 1999, he worked as a sales and marketing manager at Hung Fung Engineering Limited from November 1997 to January 1999.

Mr. Chan did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Non-executive Directors

Mr. LEUNG Ping Kwan (梁炳坤), aged 55, was appointed as a non-executive Director on 9 January 2017 and is responsible for providing technical advice in relation to the Group's business.

He is a registered skilled worker under Construction Workers Registration Ordinance (Chapter 583 of the laws of Hong Kong) as curtain wall installer, glazier, metal worker, general welder and curtain wall and glass panes installer (master), who possesses not less than 10 years of experience in these trade divisions.

Mr. Leung completed his secondary education in the PRC in November 1978. He has more than 20 years of experience in the construction industry. Mr. Leung was the founder of Special Glass & Seals Works which started at a partnership and later converted as a sole proprietorship which engages in glass and seals works in April 1993. He is also a director of Special Glass & Seals Works Limited since October 2000. He was also a director of G & M Engineering between April 2014 and November 2014.

Mr. Leung did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Professor WONG Roderick Sue Cheun (王世全), aged 72, was appointed as an independent non-executive Director on 12 May 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is a member of the audit committee, the remuneration committee and the nomination committee of the Company. Professor Wong obtained a degree of Bachelor of Arts from San Diego State College (now known as San Diego State University) in the United States in November 1965 and a degree of Doctor of Philosophy in mathematics from the University of Alberta in Canada in November 1969.

Professor Wong is currently a special advisor to the president of Southern University of Science and Technology of China (南方科技大學) (formerly known as South University of Science and Technology of China) and the Chair Professor of Mathematics at City University of Hong Kong. He is a Fellow of the Royal Society of Canada, and Chevalier dans l'Ordre National de la Légion d'Honneur of France, and elected as a member of the European Academy of Sciences. Also, he is the Director of the Liu Bie Ju Centre for Mathematical Sciences at City University of Hong Kong.

Professor Wong currently holds the following position in a company listed on the Stock Exchange:

Company	Stock code	Position	Appointment date
Sam Woo Construction Group Limited	3822	Independent non-executive director	15 September 2014

Save as disclosed above, Professor Wong did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. TAI Kwok Leung, Alexander (戴國良), aged 59, has been appointed as an independent non-executive Director on 12 May 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Mr. Tai obtained a degree of Bachelor of Commerce and Administration from the Victoria University of Wellington in New Zealand in April 1982. He was an associate of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) since October 1983.

Mr. Tai is currently a responsible officer of Investec Capital Asia Limited, which is a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, since February 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tai currently holds the following positions in companies listed on the Stock Exchange:

Company	Stock code	Position	Appointment date
Anhui Conch Cement Company Limited	914	Independent non-executive director	28 May 2013
Luk Fook Holdings (International) Limited	590	Independent non-executive director	24 July 2008
Jiayuan International Group Limited	2768	Independent non-executive director	12 February 2016

Mr. Tai previously held the following position in a company listed on the Stock Exchange:

Company	Stock code	Position	Appointment date	Resignation date
Honghua Group Limited	196	Independent non-executive director	18 January 2008	19 March 2014

Save as disclosed above, Mr. Tai did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. KWAN Cheuk Kui (關卓鉅), aged 53, was appointed as an independent non-executive Director on 12 May 2017 and is responsible for providing independent judgement on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the remuneration committee and a member of both the audit committee and the nomination committee of the Company. Mr. Kwan obtained a degree of Bachelor of Arts and a Postgraduate Certificate in Law from the University of Hong Kong in November 1987 and June 1992 respectively. He has been admitted as a solicitor in Hong Kong since December 1994.

From 1992 to 1996, Mr. Kwan worked at Tang, Wong & Cheung and his last position held was an assistant solicitor. He then worked at Tang, Lee & Co. as a solicitor from 1996 to 1997. From 2000 to 2003, Mr. Kwan worked for Liu Alvan & Partners as a partner. From 2003 to 2007, he worked for Tsang & Wong as a consultant. From August 2007 to December 2007, Mr. Kwan re-joined Liu Alvan & Partners as a partner. He then worked for Chan & Chan as a consultant from 2007 to 2012. Mr. Kwan is currently a partner of Rowdget W. Young & Co.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwan did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. Kwan was a director of the following company that was incorporated in Hong Kong, and subsequently struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance, which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies. Mr. Kwan confirmed that the company was solvent and inactive at the time of strike off and that its dissolution had not resulted in any liability or obligation against him. The following details the aforementioned company that was struck off:

Name of company	Status	Nature of business	Date of strike off notice	Date of strike off
First Wealth (Hong Kong) Limited	Dissolved	Investment holding	22 November 2002	4 April 2003

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed, each of the Directors (i) did not hold other positions in the Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, Controlling Shareholders or substantial Shareholders of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” in this prospectus and the section headed “Statutory and general information — C. Further information about Directors, management and staff — 1. Directors — (a) Disclosure of interests of Directors” in Appendix IV to this prospectus, each of the Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of our Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth the information regarding the senior management team of the Group:

Name	Age	Date of joining the Group	Position	Relationship with other Director(s) and/or senior management
Mr. TONG Wai Shing, Wilson (湯偉成)	38	24 June 2002	Deputy project director	Nil
Mr. SO Yiu Man (蘇耀文)	51	2 January 2005	General manager	Nil
Mr. HO Ting Shun (賀挺信)	51	6 May 2013	Senior design manager	Nil
Ms. HUEN Shuk Man (禰淑敏)	32	2 October 2015	Financial controller and joint company secretary	Nil
Mr. LEE Baldwin (李博彥)	45	9 January 2017	Joint company secretary	Nil

Mr. TONG Wai Shing, Wilson (湯偉成), aged 38, is the deputy project director of the Group. He is primarily responsible for organising, managing and supervising the Group's projects. He obtained a degree of Bachelor of Applied Science in civil engineering from the University of British Columbia in Canada in May 2001 and further obtained a degree of Master of Science in construction law and dispute resolution from the Hong Kong Polytechnic University in October 2011. Mr. Tong has over 14 years of experience in the construction industry in Hong Kong. Mr. Tong joined the Group in June 2002 as an engineer trainee and was subsequently promoted to deputy project director in August 2015.

Mr. Tong did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. SO Yiu Man (蘇耀文), aged 51, joined the Group in January 2005 as a project manager and was subsequently promoted to the position of general manager in May 2007. He is primarily responsible for contract administration, budgeting and supervision of contracting projects. Mr. So obtained a higher diploma in building technology and management from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1989 and further obtained a degree of Master of Business Administration from the Open University of Hong Kong in December 2000.

DIRECTORS AND SENIOR MANAGEMENT

Mr. So has over 27 years of experience in the construction industry in Hong Kong. From August 1989 to July 1991, Mr. So was employed by Sung Foo Kee Limited as a project coordinator. He then worked for Henderson Land Development Company Limited from July 1991 to June 1993 and his last position held was a deputy project coordinator. From June 1993 to May 1994, he worked for Hopewell Construction Company Limited as a project engineer. Prior to joining the Group in January 2005, Mr. So worked in China Light & Power Company Limited as an engineer in the network development department from May 1994 to September 1997 and S & D Limited as a project manager from January 1998 to December 2004.

Mr. So did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. HO Ting Shun (賀挺信), aged 51, joined the Group in May 2013 as a design manager and was subsequently promoted to the position of senior design manager in January 2016. He is primarily responsible for the overall management of the Group's design department. Mr. Ho obtained a degree of Bachelor of Engineering in manufacturing engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1991.

Mr. Ho has over 21 years of experience in the construction industry in Hong Kong. Mr. Ho was previously employed by Goldon Engineering Limited as a design engineer from June 1995 to May 1997. From June 1997 to July 2002, he worked for Far East Aluminium Works Company Limited as an assistant design manager in technical services department. He then worked for Waltech Pacific (Engineering) Limited as design manager from July 2002 to January 2003. During February 2003 to November 2005, Mr. Ho worked for Millennium Engineering Limited and his last position held was a senior designer. Prior to joining the Group, Mr. Ho worked as an assistant design manager in Permasteelisa Hong Kong Limited from December 2005 to April 2013.

Mr. Ho did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Ms. HUEN Shuk Man (禰淑敏), aged 32, is the financial controller of the Group and one of the joint company secretaries of the Company. She is primarily responsible for the financial reporting and financial control matters, and the company secretarial matters of the Group. Ms. Huen joined the Group in October 2015 as an account manager and was subsequently promoted to the position of the financial controller in January 2017. She obtained a degree of Bachelor of Business Administration in accountancy from the City University of Hong Kong in July 2011 and has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since November 2013. Ms. Huen has over five years of experience in auditing, accounting and financial management. Prior to joining the Group, she worked in BDO Limited from September 2011 to September 2015 and her last position held was a senior associate.

Ms. Huen did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. HUEN Shuk Man (禰淑敏) was appointed as one of the joint company secretaries of the Company on 9 January 2017. Please refer to her biography under the sub-section headed “Senior management” in this section.

Mr. LEE Baldwin (李博彥), aged 45, was appointed as one of the joint company secretaries of the Company on 9 January 2017. He is primarily responsible for the company secretarial matters of the Group. Mr. Lee obtained a degree of Bachelor of Commerce from the University of Toronto in Canada in November 1993. He has been an associate of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) since January 2000.

Mr. Lee has over 17 years of experience in the accounting and auditing industry. Mr. Lee worked at PricewaterhouseCoopers Limited from August 1995 to April 2000 and his last position held was a senior associate. He worked in e-New Media Company Limited (now known as ENM Holdings Limited) (stock code: 128) from April 2000 to August 2003. He then worked as a group accounting manager in Sam Woo Holdings Limited (now known as Noble Century Investment Holdings Limited) (stock code: 2322) from September 2003 to April 2009. During March 2010 to July 2014, Mr. Lee served as a manager in KC Management Limited. Since November 2015, Mr. Lee was the company secretary of Prosper Construction Holdings Limited (stock code: 6816). He has been a manager in Masterway Management Limited since August 2014.

Mr. Lee did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

REMUNERATION POLICY

The executive Directors, the non-executive Director, the independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Directors and senior management, as well as the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, amongst other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

After Listing, the remuneration committee of the Company will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, and time devoted to the Group and performance of the Group. The Directors may also be offered options under the Share Option Scheme.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

For each of the three years ended 31 December 2016, the aggregate remuneration, including fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses, paid to the Directors were approximately HK\$1.3 million, HK\$1.3 million and HK\$4.8 million, respectively.

The aggregate remuneration including fees, salaries, contribution to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses, paid to the Company's five highest paid individuals (excluding the Directors amongst the five highest paid individuals) during the Track Record Period were approximately HK\$4.7 million, HK\$5.1 million and HK\$4.5 million, respectively.

During the Track Record Period, no emoluments were paid by the Group to the Directors or 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. Save as disclosed above, no other payments have been made or are payable in respect of each of the three years ended 31 December 2016 by the Group to the Directors.

Under the arrangements currently proposed, conditional upon the Listing, the aggregate annual remuneration (excluding payment of any discretionary benefits or bonuses or other fringe benefits) payable by the Group to the Directors for the year ending 31 December 2017 is estimated to be approximately HK\$4.5 million.

BOARD COMMITTEES

Audit committee

The Company established an audit committee on 12 May 2017 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of the Company consists of three members, being Professor Wong Roderick Sue Cheun, Mr. Tai Kwok Leung, Alexander and Mr. Kwan Cheuk Kui, of which Mr. Tai Kwok Leung, Alexander currently serves as the chairman.

Remuneration committee

The Company established a remuneration committee on 12 May 2017 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of the Company's senior management and members of the Board.

DIRECTORS AND SENIOR MANAGEMENT

The remuneration committee of the Company consists of four members, being Mr. Lee, Professor Wong Roderick Sue Cheun, Mr. Tai Kwok Leung, Alexander and Mr. Kwan Cheuk Kui, of which Mr. Kwan Cheuk Kui currently serves as the chairman.

Nomination committee

The Company established a nomination committee on 12 May 2017 with its written terms of reference by reference to the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of the Company consists of four members, being Mr. Lee, Professor Wong Roderick Sue Cheun, Mr. Tai Kwok Leung, Alexander and Mr. Kwan Cheuk Kui, of which Mr. Lee currently serves as the chairman.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Lee, an executive Director and one of the Controlling Shareholders, is the chairman of the Board and the chief executive officer of the Company. With over 23 years of experience in the construction industry in Hong Kong, Mr. Lee is responsible for the overall management of the Group's operations and business development and is instrumental to the Group's growth and business expansion since the establishment in November 1993. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Lee), one non-executive Director and three independent non-executive Directors and therefore has a strong independence element in its composition. Save as disclosed above, the Group is in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Messis Capital as its compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, the Company will consult and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (3) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry with the Company under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of the Company shall commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity/Nature of Interest	Number of Shares held as at the date of this prospectus	Approximate percentage of interests in the Company as at the date of this prospectus	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue	Approximate percentage of interests in the Company immediately after completion of the Share Offer and the Capitalisation Issue
Luxury Booming <i>(Note 1)</i>	Beneficial owner	4 Shares	100%	750,000,000 Shares	75%
Mr. Lee <i>(Note 1)</i>	Interest in a controlled corporation; interest held jointly with another person	4 Shares	100%	750,000,000 Shares	75%
Mr. Leung <i>(Note 1)</i>	Interest in a controlled corporation; interest held jointly with another person	4 Shares	100%	750,000,000 Shares	75%
Ms. Lam <i>(Note 2)</i>	Interest of spouse	4 Shares	100%	750,000,000 Shares	75%
Ms. Ku <i>(Note 3)</i>	Interest of spouse	4 Shares	100%	750,000,000 Shares	75%

Notes:

- Luxury Booming is the registered and beneficial owner holding 75% of the issued shares of the Company. The issued share capital of Luxury Booming is owned as to 75% by Mr. Lee and 25% by Mr. Leung. By virtue of the Concert Parties Confirmatory Deed entered into between Mr. Lee and Mr. Leung dated 9 January 2017, pursuant to which Mr. Lee and Mr. Leung acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Group during the Track Record Period and will continue the same as at and after the date of the Concert Parties Confirmatory Deed, each of Mr. Lee and Mr. Leung is deemed to be interested in the entire shareholding interests of Luxury Booming in the Company under the SFO.

SUBSTANTIAL SHAREHOLDERS

2. Ms. Lam is the spouse of Mr. Lee and is deemed, or taken to be, interested in all Shares in which Mr. Lee has interest in under the SFO.

3. Ms. Ku is the spouse of Mr. Leung and is deemed, or taken to be, interested in all Shares in which Mr. Leung has interest in under the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the completion of the Share Offer and Capitalisation Issue (without taking account of the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme will be as follows:

Authorised share capital		<i>HK\$</i>
10,000,000,000	Shares of par value HK\$0.01 each	100,000,000.00
Issued share capital		<i>HK\$</i>
4	Shares in issue upon completion of the Reorganisation	0.04
749,999,996	Shares to be issued pursuant to the Capitalisation Issue	7,499,999.96
<u>250,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,500,000.00</u>
	Total number of Shares issued and to be issued upon completion of the Capitalisation and the Share Offer	<u>10,000,000.00</u>

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of the Company must at all times be held by the public. The 250,000,000 Offer Shares represent not less than 25% of the issued share capital of the Company upon Listing.

RANKING

The Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 12 May 2017. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus. As at the Latest Practicable Date, no option has been granted under the Share Option Scheme.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the written resolutions of the sole Shareholder passed on 12 May 2017, subject to the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to allot and issue a total of 749,999,996 Shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on 12 May 2017 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$7,499,999.96 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding the Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme); and
- (b) the number of Shares repurchased pursuant to the authority granted to the Directors referred to in the sub-section “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

SHARE CAPITAL

For further details of the general mandate for the allotment and issue of Shares, please refer to the section headed “Statutory and general information — A. Further information about the Company — 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, the Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange under the code on the Share Buy-backs for this purpose) with an aggregate number of not more than 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding the Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange under the code on the Share Buy-backs for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and general information — A. Further information about the Company — 6. Repurchase by the Company of its own securities” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to the section headed “Statutory and general information — A. Further information about the Company — 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, the Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see “Summary of the constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus. Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see “Summary of the constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with the Group's audited combined financial statements, including the notes thereto, as set forth in the Accountant's Report in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect of future events and financial preformation. These statements are based on assumptions and analyses made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties over which the group does not have control. For further information, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

The Group is a subcontractor that focuses on providing podium facade and curtain wall works in Hong Kong with a history of over 20 years. The services provided by the Group mainly include one-stop design and build solution in relation to podium facade and curtain wall works. To a lesser extent, the Group also provides repair and maintenance services. During the Track Record Period, the Group generally undertook design and build projects as a subcontractor and all of the Group's revenue was derived from Hong Kong. The Group's customer types primarily include main contractor, property developer, commercial enterprise and public body.

For each of the three years ended 31 December 2016, the Group's total revenue amounted to approximately HK\$151.3 million, HK\$218.8 million and HK\$273.9 million, respectively. Of such amount, approximately 90.9%, 96.0% and 97.5% was attributable to the Group's design and build projects, respectively, while the remaining approximately 9.1%, 4.0% and 2.5% was attributable to the Group's repair and maintenance services.

The Group recorded gross profit of approximately HK\$50.4 million, HK\$71.1 million and HK\$90.5 million for each of the three years ended 31 December 2016, respectively. The Group recorded profit for the year of approximately HK\$31.3 million, HK\$46.5 million and HK\$50.1 million for each of the three years ended 31 December 2016, respectively. For further details, please refer to the sub-sections headed "Principal components of results of operations" and "Comparison of results of operations" in this section.

BASIS OF PRESENTATION

Prior to the Share Offer, the Group had undergone the Reorganisation after which the Company has become the holding company of the Group since 12 May 2017. Please refer to the section headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus for details.

FINANCIAL INFORMATION

The financial information set out in the Accountant's Report in Appendix I to this prospectus has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the Track Record Period.

The combined statements of comprehensive income and combined statements of cash flows of the Group for the Track Record Period include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates. For further details, please refer to note 2 in the Accountant's Report set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATION AND FINANCIAL CONDITION

The Group's financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk factors" in this prospectus.

Demand for design and build services for podium facade and curtain wall in Hong Kong

The Group's business performance is mainly affected by the number and availability of design and build projects for podium facade and curtain wall in Hong Kong, which in turn are affected by various factors, including but not limited to, the general economic conditions in Hong Kong, changes in the government policies in relation to the Hong Kong property market, the amount of investment in the construction of new commercial and residential buildings and improvement of existing commercial and residential buildings. These factors may affect the demand for the design and build services of the Group. Unfavourable changes in these factors may lead to a decrease in demand for the design and build services of the Group.

There is no assurance that the number of design and build projects for podium facade and curtain wall in Hong Kong will not decrease in the future. In the event that the demand for design and build services decreases as a result of the reduction in the number of podium facade and curtain wall projects in Hong Kong, the Group's businesses in general and the results of operations may be adversely and materially affected.

Accuracy in the estimation of time and costs involved in projects before submitting tenders or providing fee quotations

The design and build projects undertaken by the Group are generally awarded by its customers after they accept the tender submitted or quotation provided by the Group, where the Group has to estimate the time and costs involved in a design and build project in order to determine the fee for the

FINANCIAL INFORMATION

tender or quotation. The Group generally determines the price of its projects on an estimated project costs plus a mark-up margin. The Group's pricing on its projects is evaluated on a project-by-project basis depending on several factors, including but not limited to, (i) the nature or type of the design and projects; (ii) the costs budget; (iii) the target completion date; (iv) the Group's projects on hand; (v) the availability of the Group's resources; and (vi) scale of the project.

There is no guarantee that the actual amount of time and costs involved in a design and build project must be similar to the estimation and they can be adversely affected by various factors, such as weather conditions, accidents, delay in obtaining approval and other unforeseen site conditions, departure of key project management and supervision personnel involved, substandard performance by the Group's subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a design and build project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect the Group's financial performance and liquidity.

Supply and cost of materials and processing services

The Group's material and processing charges amounted to approximately HK\$36.3 million, HK\$60.2 million and HK\$73.0 million, respectively, representing approximately 36.0%, 40.8% and 39.8% of the Group's total cost of revenue during each of the three years ended 31 December 2016, respectively.

The supply and cost of materials and processing services are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rates may also affect the Group's cost of materials since some of the Group's suppliers are located outside Hong Kong and the PRC. There is no assurance that the supply and cost of materials and processing services will remain stable. In the event that the cost of materials and processing services increase due to external factors, which are out of the Group's control, the Group's operations and profitability may be adversely affected.

Performance and availability of subcontractors

As the Group does not employ any direct labour to carry out the installation works for its design and build projects, the Group subcontracts all installation works to external subcontractors for each of the three years ended 31 December 2016. The Group's subcontracting charges amounted to approximately HK\$35.8 million, HK\$57.3 million and HK\$72.9 million, respectively, representing approximately 35.5%, 38.8% and 39.7% of the Group's total cost of revenue for the corresponding year, respectively.

The Group is liable for the works performed by its subcontractors. In each project, the Group generally selects two or more subcontractors from the approved list based on their relevant skillsets and experiences and invites them to make a quotation. The Group will then select the most suitable subcontractor for the project based on, including but not limited to, their capacity in taking up the

FINANCIAL INFORMATION

required scope of works, fee quotation, quality of fabrication works and production plant capacity. However, there is no guarantee in the availability of subcontractors or the work performance of the chosen subcontractors. In the event that the Group is not able to secure suitable subcontractors at an acceptable fee or the works performed by the Group's subcontractors are not up to standard, the Group may incur extra costs and hence its financial performance and reputation may be affected adversely.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of the Group's financial position and results of operations as included in this prospectus is based on the combined financial statements prepared using the significant accounting policies set forth in note 3 of the Accountant's Report set out in Appendix I to this prospectus, which conform with the HKFRSs.

In the application of the Group's accounting policies, the Directors are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Below is a summary of certain critical accounting judgements and key sources of estimation uncertainty that the Directors believe are important to the preparation of the Group's financial results and positions. The Group also has other accounting policies that the Directors consider to be significant, the details of which are set forth in note 3 of the Accountant's Report set out in Appendix I to this prospectus.

Critical judgments in applying accounting policies

(i) *Held-to-maturity investments*

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity. Directors exercise judgment based on the Group's treasury objective and financial risk management policy to determine whether the financial assets are to be classified as held-to-maturity.

(ii) *Impairment of available-for-sale investments*

The Directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

FINANCIAL INFORMATION

Key sources of estimation uncertainty

(i) *Percentage of completion of construction contract*

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, management reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgment by the management. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts when those construction contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised in the financial statements.

(ii) *Estimation of total budgeted costs and cost to completion for construction contracts*

Total budgeted costs for construction contracts comprise (i) direct material costs and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on material costs, project staff costs and other costs.

(iii) *Warranty provision*

The Group provides warranty to customers for a period up to 15 years for the contracts completed by the Group. The Group undertakes to rectify the defects within the warranty period. The warranty provision has been recognised for expected costs to rectify the defects based on past experience of warranty claims by customers. Management will review the sufficiency of provision and make adjustments, if appropriate, at the end of each reporting period.

(iv) *Impairment of receivables*

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables (including amounts due from a director) and on the specific circumstances for each account. Judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

FINANCIAL INFORMATION

(v) *Estimation of current and deferred tax*

The Group is subjected to Hong Kong taxation. Significant judgement is required in determining the amount of the provision for taxation. The Group recognised income tax based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expenses in the period in which the tax calculations are finalised with the tax authority.

(vi) *Fair value measurement*

Certain of the Group's financial assets require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are.

For further details, please refer to note 5 of the Accountant's Report set out in Appendix I to this prospectus.

SUMMARY OF RESULTS OF OPERATIONS

The Group's combined statements of comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountant's Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountant's Report set out in Appendix I to this prospectus.

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	151,304	218,820	273,912
Cost of revenue	<u>(100,911)</u>	<u>(147,753)</u>	<u>(183,389)</u>
Gross profit	50,393	71,067	90,523
Other income, gains and losses	544	588	17
Administrative and other operating expenses	(13,274)	(14,141)	(20,641)
Listing expenses	—	(1,185)	(7,439)
Finance costs	<u>(324)</u>	<u>(466)</u>	<u>(559)</u>
Profit before income tax	37,339	55,863	61,901
Income tax expense	<u>(6,074)</u>	<u>(9,371)</u>	<u>(11,824)</u>
Profit for the year	<u>31,265</u>	<u>46,492</u>	<u>50,077</u>

FINANCIAL INFORMATION

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
- Change in fair value of available-for-sale investments	(74)	—	—
- Reclassification on impairment of available-for-sale investments	66	—	—
- Release upon disposal of available-for-sale investments	(133)	(37)	—
- Exchange difference arising from translation of foreign operation	—	—	(72)
	<u>(141)</u>	<u>(37)</u>	<u>(72)</u>
Total comprehensive income for the year	<u>31,124</u>	<u>46,455</u>	<u>50,005</u>
Total comprehensive income for the year attributable to:			
Owners of the Company	30,612	46,131	49,980
Non-controlling interests	<u>512</u>	<u>324</u>	<u>25</u>
Total comprehensive income for the year	<u>31,124</u>	<u>46,455</u>	<u>50,005</u>

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The Group is a subcontractor that focuses on providing podium facade and curtain wall works in Hong Kong with a history of over 20 years. The services provided by the Group mainly include one-stop design and build solution in relation to podium facade and curtain wall works. To a lesser extent, the Group also provides repair and maintenance services. During the Track Record Period, the Group generally undertook design and build projects as a subcontractor and all of the Group's revenue was derived from Hong Kong. The following table sets forth a breakdown of the Group's revenue during the Track Record Period by types of services:

	Year ended 31 December					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Design and build projects						
- Podium facade and related works	121,332	80.2	195,998	89.6	242,306	88.5
- Curtain wall works	<u>16,252</u>	<u>10.7</u>	<u>13,998</u>	<u>6.4</u>	<u>24,749</u>	<u>9.0</u>
Sub-total	137,584	90.9	209,996	96.0	267,055	97.5
Repair and maintenance services	<u>13,720</u>	<u>9.1</u>	<u>8,824</u>	<u>4.0</u>	<u>6,857</u>	<u>2.5</u>
Total	<u><u>151,304</u></u>	<u><u>100.0</u></u>	<u><u>218,820</u></u>	<u><u>100.0</u></u>	<u><u>273,912</u></u>	<u><u>100.0</u></u>

Cost of revenue

Cost of revenue of the Group primarily comprises (i) material and processing charges; (ii) subcontracting charges; (iii) project staff costs; and (iv) others. The following table sets forth a breakdown of the Group's cost of revenue during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Material and processing charges	36,314	36.0	60,249	40.8	73,036	39.8
Subcontracting charges	35,791	35.5	57,337	38.8	72,885	39.7
Project staff costs	13,648	13.5	16,137	10.9	24,266	13.2
Others	<u>15,158</u>	<u>15.0</u>	<u>14,030</u>	<u>9.5</u>	<u>13,202</u>	<u>7.3</u>
Total	<u><u>100,911</u></u>	<u><u>100.0</u></u>	<u><u>147,753</u></u>	<u><u>100.0</u></u>	<u><u>183,389</u></u>	<u><u>100.0</u></u>

FINANCIAL INFORMATION

(i) *Material and processing charges*

Material and processing charges represent the charges paid and payable to the Group's suppliers for the purchase of building and construction materials being installed/utilised in the Group's design and build projects and relevant processing charges. For each of the three years ended 31 December 2016, material and processing charges of the Group amounted to approximately HK\$36.3 million, HK\$60.2 million and HK\$73.0 million, respectively, representing approximately 36.0%, 40.8% and 39.8% of the Group's total cost of revenue for the corresponding year, respectively.

The following table sets forth a breakdown of the Group's material and processing charges during the Track Record Period by types of materials:

	Year ended 31 December					
	2014		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Aluminium	15,554	42.9	26,711	44.3	36,105	49.4
Metal	9,385	25.8	17,699	29.4	16,546	22.7
Glass	5,973	16.4	6,557	10.9	8,841	12.1
Silicone sealant	1,181	3.3	1,977	3.3	2,789	3.8
Others	<u>4,221</u>	<u>11.6</u>	<u>7,305</u>	<u>12.1</u>	<u>8,755</u>	<u>12.0</u>
	<u><u>36,314</u></u>	<u><u>100.0</u></u>	<u><u>60,249</u></u>	<u><u>100.0</u></u>	<u><u>73,036</u></u>	<u><u>100.0</u></u>

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's material and processing charges on its profits during the Track Record Period. The hypothetical fluctuation rates are set at 3% and 4.5% with reference to the annual rates of change in the consumer price indices in Hong Kong during 2011 to 2015 as published by Census and Statistics Department of Hong Kong:

Hypothetical fluctuations in material and processing charges

	+3%	+4.5%	-3%	-4.5%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in profit before tax for:				
the year ended 31 December 2014	-1,089	-1,634	+1,089	+1,634
the year ended 31 December 2015	-1,807	-2,711	+1,807	+2,711
the year ended 31 December 2016	-2,191	-3,287	+2,191	+3,287
Change in profit after tax (Note) for:				
the year ended 31 December 2014	-909	-1,364	+909	+1,364
the year ended 31 December 2015	-1,509	-2,264	+1,509	+2,264
the year ended 31 December 2016	-1,829	-2,745	+1,829	+2,745

Note: The Hong Kong Profits Tax rate of 16.5% is applied for the illustration of increase or decrease in profit for the year.

FINANCIAL INFORMATION

(ii) Subcontracting charges

Subcontracting charges represent the charges paid and payable to the Group's subcontractors who provide installation services at site for its design and build projects and repair and maintenance works. For each of the three years ended 31 December 2016, subcontracting charges of the Group amounted to approximately HK\$35.8 million, HK\$57.3 million and HK\$72.9 million, respectively, representing approximately 35.5%, 38.8% and 39.7% of the Group's total cost of revenue for the corresponding year, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on its profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 16% with reference to the fluctuation in the average wage of workers in the construction industry in Hong Kong during 2011 to 2015 as shown in the Ipsos Report:

Hypothetical fluctuations in subcontracting charges

	+5%	+16%	-5%	-16%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Change in profit before tax for:				
the year ended 31 December 2014	-1,790	-5,727	+1,790	+5,727
the year ended 31 December 2015	-2,867	-9,174	+2,867	+9,174
the year ended 31 December 2016	-3,644	-11,662	+3,644	+11,662
Change in profit after tax (Note) for:				
the year ended 31 December 2014	-1,495	-4,782	+1,495	+4,782
the year ended 31 December 2015	-2,394	-7,660	+2,394	+7,660
the year ended 31 December 2016	-3,043	-9,738	+3,043	+9,738

Note: The Hong Kong Profits Tax rate of 16.5% is applied for the illustration of increase or decrease in profit for the year.

(iii) Project staff costs

Project staff costs represent the compensation and benefits provided to the staff of the Group's project management team and design team. For each of the three years ended 31 December 2016, project staff costs of the Group amounted to approximately HK\$13.6 million, HK\$16.1 million and HK\$24.3 million, respectively, representing approximately 13.5%, 10.9% and 13.2% of the Group's total cost of revenue for the corresponding year, respectively.

(iv) Others

Others mainly represent design fee, scaffolding and platform, insurance, inspection and testing fee and transportation costs etc. For each of the three years ended 31 December 2016, other cost of revenue of the Group amounted to approximately HK\$15.2 million, HK\$14.0 million and HK\$13.2 million, respectively, representing approximately 15.0%, 9.5% and 7.3% of the Group's total cost of revenue for the corresponding year, respectively.

FINANCIAL INFORMATION

Gross profit

The following table sets forth a breakdown of the Group's gross profit and gross profit margin during the Track Record Period by types of services:

	Year ended 31 December					
	2014		2015		2016	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Design and build projects						
- Podium facade and related works	42,607	35.1	62,931	32.1	82,015	33.8
- Curtain wall works	<u>4,563</u>	28.1	<u>5,035</u>	36.0	<u>6,097</u>	24.6
Sub-total/overall	47,170	34.3	67,966	32.4	88,112	33.0
Repair and maintenance services	<u>3,223</u>	23.5	<u>3,101</u>	35.1	<u>2,411</u>	35.2
Total/overall	<u>50,393</u>	<u>33.3</u>	<u>71,067</u>	<u>32.5</u>	<u>90,523</u>	<u>33.0</u>

The following table sets forth a breakdown of the Group's gross profit and gross profit margin during the Track Record Period attributable to private and public sectors:

	Year ended 31 December					
	2014		2015		2016	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	31,329	27.4	67,612	31.9	87,184	32.2
Public sector	<u>19,064</u>	51.7	<u>3,455</u>	49.7	<u>3,339</u>	97.8
Total/overall	<u>50,393</u>	<u>33.3</u>	<u>71,067</u>	<u>32.5</u>	<u>90,523</u>	<u>33.0</u>

FINANCIAL INFORMATION

Other income, gains and losses

The following table sets forth a breakdown of the Group's other income, gains and losses during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	111	74	7
Dividend income from investments	63	69	—
Interest income from held-to-maturity investments	237	470	—
Gain/(Loss) on disposal of investments	180	(63)	—
Impairment of available-for-sale investments	(66)	—	—
Gain/(Loss) on disposal of property, plant and equipment	—	20	(16)
Others	19	18	26
	<u>19</u>	<u>18</u>	<u>26</u>
Total	<u>544</u>	<u>588</u>	<u>17</u>

For further information regarding the Group's held-to-maturity and available-for-sale investments, please refer to the sub-section headed "Held-to-maturity and available-for-sale investments" in this section.

Administrative and other operating expenses

The following table sets forth a breakdown of the Group's administrative and other operating expenses during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff salaries and benefits	7,143	6,961	6,886
Travel and entertainment expenses	1,602	1,406	1,417
Directors' emoluments	1,274	1,254	4,839
Office rental and utilities	863	1,030	2,241
Depreciation on property, plant and equipment	519	535	1,563
Motor vehicles expenses	502	513	390
Bank charges	291	398	447
Insurance expenses	244	258	304
Repairs and maintenance expenses	115	159	381
Legal and professional fees	60	281	1,014
Auditor's remuneration	58	312	300
Write-off of property, plant and equipment	11	—	6
Others	592	1,034	853
	<u>592</u>	<u>1,034</u>	<u>853</u>
Total	<u>13,274</u>	<u>14,141</u>	<u>20,641</u>

FINANCIAL INFORMATION

Finance costs

The following table sets forth a breakdown of the Group's finance costs during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	307	452	551
Interest element of finance lease payments	<u>17</u>	<u>14</u>	<u>8</u>
Total	<u><u>324</u></u>	<u><u>466</u></u>	<u><u>559</u></u>

Income tax expense

The Group's income tax expenses for the year can be reconciled to the profit before taxation in the combined statement of comprehensive income as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>37,339</u>	<u>55,863</u>	<u>61,901</u>
Tax calculated at Hong Kong Profits Tax rate of 16.5%	6,161	9,217	10,214
Effect of different tax rates of subsidiaries			
operating in other jurisdictions	—	—	(53)
Tax effect of revenue not taxable for tax purposes	(11)	(12)	(1)
Tax effect of expenses not deductible for tax purposes	13	218	1,348
Tax effect of temporary differences not recognised	(29)	(12)	188
Under-provision in respect of prior years	—	—	128
Others	<u>(60)</u>	<u>(40)</u>	<u>—</u>
Income tax expense	<u><u>6,074</u></u>	<u><u>9,371</u></u>	<u><u>11,824</u></u>

FINANCIAL INFORMATION

For each of the three years ended 31 December 2016, the Group recorded income tax expense of approximately HK\$6.1 million, HK\$9.4 million and HK\$11.8 million, respectively. The following table sets forth the Group's effective tax rate during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	37,339	55,863	61,901
Income tax expense	6,074	9,371	11,824
Effective tax rate	16.3%	16.8%	19.1%

COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2015 compared with the year ended 31 December 2014

Revenue

Revenue of the Group increased by approximately HK\$67.5 million or 44.6% from approximately HK\$151.3 million for the year ended 31 December 2014 to approximately HK\$218.8 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase of approximately HK\$74.7 million or 61.5% in podium facade and related works and partially offset by (i) the decrease of approximately HK\$2.3 million or 13.9% in the curtain wall works; and (ii) the decrease of approximately HK\$4.9 million or 35.7% in the repair and maintenance services.

Such increase was mainly due to the following:

- (i) Seven new projects were awarded and contributed a total of approximately HK\$47.7 million to the Group's revenue during the year ended 31 December 2015.
- (ii) The Group derived a higher amount of recognised revenue from a particular project during the year ended 31 December 2015, which was due to the actual work progress under the relevant contract:

Type of works	Amount of revenue recognised for the year ended 31 December	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Podium facade and related works	11,282	44,685

FINANCIAL INFORMATION

Costs of revenue

Cost of revenue of the Group increased by approximately HK\$46.9 million or 46.4% from approximately HK\$100.9 million for the year ended 31 December 2014 to approximately HK\$147.8 million for the year ended 31 December 2015. The cost of revenue of the Group mainly includes material and processing charges, subcontracting charges and project staff cost, while these costs vary amongst different projects and also may fluctuate substantially from year to year, depending on the progress and stage of projects. The following is a discussion of the changes in the key components of the Group's cost of revenue for the year ended 31 December 2015 compared to that of 2014:

- (i) The material and processing charges increased from approximately HK\$36.3 million for the year ended 31 December 2014 to approximately HK\$60.2 million for the year ended 31 December 2015, representing an increase of approximately 65.9%. Such increase was mainly due to more projects of the Group were in the procurement of materials stage during the year ended 31 December 2015 as compared to the year ended 31 December 2014, such as two projects in relation to the supply and installation works of curtain wall, glass wall for podium and footbridge in Yuen Long where a majority of materials required were purchased during the year.
- (ii) The subcontracting charges increased from approximately HK\$35.8 million for the year ended 31 December 2014 to approximately HK\$57.3 million for the year ended 31 December 2015, representing an increase of approximately 60.2%. Such increase was mainly due to (a) more projects of the Group proceeded to the installation or other labour-intensive stages during the year which resulted in more subcontracting works engaged during the year; and (b) the higher average fees charged by the subcontractors.
- (iii) The project staff costs increased from approximately HK\$13.6 million for the year ended 31 December 2014 to approximately HK\$16.1 million for the year ended 31 December 2015, representing an increase of approximately 18.2%. The relatively lower-than-proportion increase in the Group's project staff costs was attributable to the relatively stable number of project management staff while the increase mainly represented salary increment and increased number of projects undertaken by the Group during the year.

Gross profit and gross profit margin

Gross profit of the Group for the two years ended 31 December 2015 were as follows:

	Year ended 31 December	
	2014	2015
Revenue (<i>HK\$'000</i>)	151,304	218,820
Gross profit (<i>HK\$'000</i>)	50,393	71,067
Gross profit margin	33.3%	32.5%

FINANCIAL INFORMATION

Gross profit amounted to approximately HK\$50.4 million and approximately HK\$71.1 million for the year ended 31 December 2014 and 2015, respectively, representing an increase of approximately 41.0%, while the Group's profit margin remains relatively stable.

Other income, gains and losses

Other income, gains and losses of the Group increased by approximately HK\$44,000 or 8.1% from approximately HK\$544,000 for the year ended 31 December 2014 to approximately HK\$588,000 for the year ended 31 December 2015. Such increase was mainly attributable to (i) the increase in interest income from held-to-maturity investment; (ii) the increase in gain on disposal of property, plant and equipment; (iii) the reduction in impairment of available-for-sale investments, and was partly offset by the decrease in bank interest income and gain on disposal of investments during the year.

Administrative and other operating expenses

Administrative and other operating expenses of the Group increased by approximately HK\$867,000 or 6.5% from approximately HK\$13.3 million for the year ended 31 December 2014 to approximately HK\$14.1 million for the year ended 31 December 2015. Such increase was mainly attributable to (i) the increase in auditor's remuneration of approximately HK\$0.3 million during the year ended 31 December 2015; and (ii) the increase in legal and professional fees of approximately HK\$0.2 million during the year ended 31 December 2015.

Finance costs

Finance costs of the Group increased by approximately HK\$142,000 or 43.8% from approximately HK\$324,000 for the year ended 31 December 2014 to approximately HK\$466,000 for the year ended 31 December 2015. Such increase was mainly attributable to the increase in the Group's proceeds from bank borrowings from approximately HK\$11.3 million during the year ended 31 December 2014 to approximately HK\$24.4 million for the year ended 31 December 2015.

Income tax expense

Income tax expense of the Group increased by approximately HK\$3.3 million or 54.3% from approximately HK\$6.1 million for the year ended 31 December 2014 to approximately HK\$9.4 million for the year ended 31 December 2015. Such increase was primarily due to the increase in the Group's profit before tax from approximately HK\$37.3 million for the year ended 31 December 2014 to approximately HK\$55.9 million for the year ended 31 December 2015, representing an increase of approximately 49.6%. For the years ended 31 December 2014 and 2015, the effective tax rate of the Group amounted to approximately 16.3% and 16.8%, respectively, which was similar to the Hong Kong Profits Tax rate of 16.5%.

FINANCIAL INFORMATION

Profit for the year and total comprehensive income for the year attributable to owners of the Company

Profit for the year of the Group increased by approximately HK\$15.2 million or 48.7% from approximately HK\$31.3 million for the year ended 31 December 2014 to approximately HK\$46.5 million for the year ended 31 December 2015 due to the combined effect of the aforementioned items.

Total comprehensive income for the year attributable to owners of the Company increased by approximately HK\$15.5 million or 50.7% from approximately HK\$30.6 million for the year ended 31 December 2014 to approximately HK\$46.1 million for the year ended 31 December 2015.

Year ended 31 December 2016 compared with the year ended 31 December 2015

Revenue

Revenue of the Group increased by approximately HK\$55.1 million or 25.2% from approximately HK\$218.8 million for the year ended 31 December 2015 to approximately HK\$273.9 million for the year ended 31 December 2016. Such increase was mainly attributable to the Group's efforts in pursuing projects of relatively larger scales and higher income. The Group recorded an increase in the number of design and build projects of relatively larger scale and higher revenue recognised during the year ended 31 December 2016 as illustrated in the table below:

	Year ended 31 December	
	2015	2016
Revenue recognised		
HK\$10 million or above	5	9
HK\$1 million to below HK\$10 million	15	11
Below HK\$1 million	<u>5</u>	<u>3</u>
	<u>25</u>	<u>23</u>

Costs of revenue

Cost of revenue of the Group increased by approximately HK\$35.6 million or 24.1% from HK\$147.8 million for the year ended 31 December 2015 to approximately HK\$183.4 million for the year ended 31 December 2016. The cost of revenue of the Group mainly includes material and processing charges, subcontracting charges and project staff costs, while these costs vary amongst different projects and also may fluctuate substantially from year to year, depending on the progress and stage of projects. The following is a discussion of the changes in the key components of

FINANCIAL INFORMATION

the Group's cost of revenue for the year ended 31 December 2016 compared to that of the year ended 31 December 2015:

- (i) The material and processing charges increased from approximately HK\$60.2 million for the year ended 31 December 2015 to approximately HK\$73.0 million for the year ended 31 December 2016, representing an increase of approximately 21.2%. Such increase was mainly attributable to larger quantities of materials procured for the projects undertaken by the Group during the year ended 31 December 2016, such as two design and build projects in relation to the podium facade works for a commercial building in Cheung Sha Wan and Tsim Sha Tsui, respectively.
- (ii) The subcontracting charges increased from approximately HK\$57.3 million for the year ended 31 December 2015 to approximately HK\$72.9 million for the year ended 31 December 2016, representing an increase of approximately 27.1%. Such increase was mainly due to (a) a sizeable project in relation to the podium facade works for a commercial building in Tsim Sha Tsui proceeded to the installation stage which resulted in more subcontracting works engaged during the year; and (b) the higher average fees charged by the subcontractors.
- (iii) The project staff costs increased from approximately HK\$16.1 million for the year ended 31 December 2015 to approximately HK\$24.3 million for the year ended 31 December 2016, representing an increase of approximately 50.4%. The higher-than-proportion increase in project staff costs was mainly attributable to (a) the salary increment for project staff during year; (b) salary for additional staff hired during the year for the Shenzhen design office; and (c) the increased number of projects undertaken by the Group during the year.

Gross profit and gross profit margin

Gross profit of the Group for the years ended 31 December 2015 and 2016 respectively were as follows:

	For the year ended 31 December	
	2015	2016
Revenue (<i>HK\$'000</i>)	218,820	273,912
Gross profit (<i>HK\$'000</i>)	71,067	90,523
Gross profit margin	32.5%	33.0%

Gross profit of the Group amounted to approximately HK\$71.1 million and approximately HK\$90.5 million for the years ended 31 December 2015 and 2016, respectively, representing an increase of approximately 27.4%. The Group's gross profit margin remained relatively stable.

FINANCIAL INFORMATION

With respect to the public sector, the Group's recorded a high gross profit margin of approximately 97.8% for the year ended 31 December 2016, as compared to that of approximately 49.7% for the year ended 31 December 2015. Such exceptional high gross profit margin of the public sector for the year ended 31 December 2016 was mainly due to a works order in relation to design and build services for podium facade and related works that was placed under a term contract entered into between G & M Engineering and Customer A in April 2011 with a contract period of 36 months, of which (i) the works order was substantially completed in March 2015 and therefore the Group only incurred insignificant costs for remedial works for minor defects, storage and logistic arrangements for the year ended 31 December 2016; and (ii) the inflation adjustment granted by Customer A in accordance with the Building Works Tender Price Index published by the Architectural Services Department, which was only confirmed by Customer A while finalising the final account of the said works order and had no corresponding cost.

Other income, gains and losses

Other income, gains and losses of the Group decreased by approximately HK\$571,000 or 97.1% from approximately HK\$588,000 for the year ended 31 December 2015 to approximately HK\$17,000 for the year ended 31 December 2016. Such decrease was mainly attributable to (i) the decrease in interest income from held-to-maturity investments, due to the fact that the Group has redeemed the held-to-maturity investments in February 2015; and (ii) the decrease in bank interest income, dividend income from investments and loss on disposal of property, plant and equipment during the year.

Administrative and other operating expenses

Administrative and other operating expenses of the Group increased by approximately HK\$6.5 million or 46.0% from approximately HK\$14.1 million for the year ended 31 December 2015 to approximately HK\$20.6 million for the year ended 31 December 2016. Such increase was mainly attributable to (i) the increase in Directors' emoluments of approximately HK\$3.6 million during the year ended 31 December 2016 as a result of an upward adjustment of the Directors' salaries, allowances and other benefits of approximately HK\$2.2 million and the discretionary bonuses paid to the Directors of approximately HK\$1.4 million, the salary increment and the discretionary bonuses may vary from year to year depending on certain factors, such as experience, responsibilities, workload, time devoted to the Group and performance of the Group; (ii) the increase in office rental and utilities expenses of approximately HK\$1.2 million during the year the year ended 31 December 2016 due to office expansion; (iii) the increase in depreciation on property, plant and equipment of approximately HK\$1.0 million due to the additions of leasehold improvement in relation to fitting-out of new offices during the year ended 31 December 2016; and (iv) the increase in legal and professional fees of approximately HK\$0.7 million during the year ended 31 December 2016. After the Listing, the Company will continue to review the remuneration and compensation packages of the Directors. For further details of the Directors' remuneration policy, please refer to the section headed "Directors and senior management — Remuneration policy" in this prospectus.

FINANCIAL INFORMATION

Finance costs

Finance costs of the Group increased by approximately HK\$93,000 or 20.0% from approximately HK\$466,000 for the year ended 31 December 2015 to approximately HK\$559,000 for the year ended 31 December 2016. Such increase was mainly attributable to the increase in the Group's proceeds from bank borrowings from approximately HK\$24.4 million during the year ended 31 December 2015 to approximately HK\$39.8 million for the year ended 31 December 2016.

Income tax expense

Income tax expense of the Group increased by approximately HK\$2.4 million or 26.2% from approximately HK\$9.4 million for the year ended 31 December 2015 to approximately HK\$11.8 million for the year ended 31 December 2016. Such increase was primarily due to the increase in the Group's profit before tax from approximately HK\$55.9 million for the year ended 31 December 2015 to approximately HK\$61.9 million for the year ended 31 December 2016, representing an increase of approximately 10.8%. For the year ended 31 December 2015, the effective tax rate of the Group amounted to approximately 16.8% which was similar to the Hong Kong Profits Tax rate of 16.5%. For the year ended 31 December 2016, the effective tax rate of the Group amounted to approximately 19.1% and such increase was mainly due to the effect of Listing expenses which were not deductible for tax purposes.

Profit for the year and total comprehensive income for the year attributable to owners of the Company

Profit for the year of the Group increased by approximately HK\$3.6 million or 7.7% from approximately HK\$46.5 million for the year ended 31 December 2015 to approximately HK\$50.1 million for the year ended 31 December 2016 due to the combined effect of the aforementioned items.

Total comprehensive income for the year attributable to owners of the Company increased by approximately HK\$3.9 million or 8.3% from approximately HK\$46.1 million for the year ended 31 December 2015 to approximately HK\$50.0 million for the year ended 31 December 2016.

WARRANTY EXPENSES AND PROVISIONS

For most of the Group's design and build projects, the Group provides (i) a defects liability period typically ranging from 12 to 24 months from the date of practical completion, during which the Group is responsible to rectify any work defects; and (ii) a warranty period typically ranging 10 to 15 years from the end of the defects liability period on certain aspects, including but not limited to glazing and waterproofing works.

FINANCIAL INFORMATION

The following table sets forth a breakdown of the Group's warranty expenses during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Warranty expenses	821	137	222

For each of the three years ended 31 December 2016, the Group's warranty expenses amounted to approximately HK\$821,000, HK\$137,000 and HK\$222,000, respectively, representing less than 1.0% of the Group's total cost of revenue for the respective corresponding year.

For any project that incurs annual warranty expenses of either (i) more than 1% of its contract sum or HK\$120,000, whichever is lower; or (ii) HK\$150,000 or above for two consecutive years, the responsible project manager and the Group's senior management will further access and identify the underlying reasons to decide if provision for warranty expenses is required for such project. During the Track Record Period, the Group has made provision for three design and build projects and the relevant amount of provisions made by the Group as at the end of each reporting period are as below:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for warranty	3,771	3,406	2,375

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group financed its operations through a combination of internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows and bank borrowings, the net proceeds from the Share Offer and, if necessary, additional equity financing when there are capital needs.

FINANCIAL INFORMATION

Cash flows

The following table sets forth a condensed summary of the Group's combined statements of cash flows during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	12,583	95,463	5,254
Net cash generated from/ (used in) investing activities	3,772	608	(20,636)
Net cash generated from/ (used in) financing activities	<u>2,717</u>	<u>(33,086)</u>	<u>(51,239)</u>
Increase/ (Decrease) in cash and cash equivalents	19,072	62,985	(66,621)
Cash and cash equivalents at the beginning of the year	<u>33,046</u>	<u>52,118</u>	<u>115,103</u>
Cash and cash equivalents at the end of the year	<u><u>52,118</u></u>	<u><u>115,103</u></u>	<u><u>48,482</u></u>

Cash flows from operating activities

The Group derives cash inflow from operating activities primarily from the receipt of payments from contract works. Cash outflow from the Group's operating activities primarily includes material and processing charges, subcontracting charges and staff costs, and all other operating expenses such as staff benefits, travelling and entertainment expenses, office rental and utilities and depreciation.

Year ended 31 December 2014

For the year ended 31 December 2014, the Group recorded net cash generated from operating activities of approximately HK\$12.6 million, primarily attributable to profit before income tax of approximately HK\$37.3 million; adjusted to reflect mainly (i) depreciation of property, plant and equipment of approximately HK\$519,000; (ii) bank interest income of approximately HK\$111,000; (iii) interest income from held-to-maturity investments and gain on disposal of investments of approximately HK\$237,000 and HK\$180,000, respectively; (iv) interest expenses of approximately HK\$324,000; (v) an increase in amounts due from customers of contract works of approximately HK\$7.6 million; (vi) an increase in trade and other receivables of approximately HK\$4.5 million; (vii) a decrease in trade and other payables of approximately HK\$4.0 million; (viii) an increase in amounts due to customers of contract works of approximately HK\$1.2 million; (ix) change in balance with a Director of approximately HK\$8.5 million; and (x) income tax paid of approximately HK\$772,000.

FINANCIAL INFORMATION

Year ended 31 December 2015

For the year ended 31 December 2015, the Group recorded net cash generated from operating activities of approximately HK\$95.5 million, primarily attributable to profit before income tax of approximately HK\$55.9 million; adjusted to reflect mainly (i) depreciation of property, plant and equipment of approximately HK\$535,000; (ii) interest income from held-to-maturity investments of approximately HK\$470,000; (iii) interest expenses of approximately HK\$466,000; (iv) a decrease in amounts due from customers of contract works of approximately HK\$23.0 million; (v) a decrease in trade and other receivables of approximately HK\$4.3 million; (vi) an increase in trade and other payables and amounts due to customers of contract works of approximately HK\$14.4 million and HK\$3.0 million, respectively; (vii) change in balance with a Director of approximately HK\$280,000; and (viii) income tax paid of approximately HK\$5.1 million.

Year ended 31 December 2016

For the year ended 31 December 2016, the Group recorded net cash generated from operating activities of approximately HK\$5.3 million, primarily attributable to profit before income tax of approximately HK\$61.9 million; adjusted to reflect mainly (i) depreciation of property, plant and equipment of approximately HK\$1.6 million; (ii) interest expenses of approximately HK\$559,000; (iii) an increase in trade and other receivables of approximately HK\$55.3 million; (iv) a decrease in amounts due from customers of contract works of approximately HK\$5.0 million; (v) a decrease in trade and other payables of approximately HK\$5.9 million; (vi) increase in amounts due to customers of contract works of approximately HK\$5.5 million; (vii) a change in balance with a Director of approximately HK\$7.6 million; and (viii) income tax paid of approximately HK\$16.0 million.

Cash flows from investing activities

During the Track Record Period, the Group's cash outflow from investing activities primarily consisted of pledged bank deposits, acquisition of investments and acquisition of property, plant and equipment, and the Group's cash inflow from investing activities primarily consisted of proceeds from redemption and disposal of investments.

Year ended 31 December 2014

For the year ended 31 December 2014, the Group recorded net cash generated from investing activities of approximately HK\$3.8 million mainly due to a decrease in time deposits with original maturity over three months of approximately HK\$6.3 million and proceeds from redemption of held-to-maturity investments of approximately HK\$2.4 million, which was partially offset by an increase in pledged bank deposits of approximately HK\$5.1 million.

FINANCIAL INFORMATION

Year ended 31 December 2015

For the year ended 31 December 2015, the Group recorded net cash generated from investing activities of approximately HK\$608,000 mainly due to (i) a decrease in pledged bank deposits of approximately HK\$4.5 million; (ii) proceeds from redemption of held-to-maturity investments of approximately HK\$2.9 million; and (iii) sales proceeds from disposal of available-for-sale investments of approximately HK\$2.7 million, which was partially offset by the acquisition of held-to-maturity investments of approximately HK\$8.4 million and prepayment for acquisition of property, plant and equipment of approximately HK\$922,000.

Year ended 31 December 2016

For the year ended 31 December 2016, the Group recorded net cash used in investing activities of approximately HK\$20.6 million mainly due to (i) an increase in pledged bank deposits of approximately HK\$17.0 million to secure the Group's bank borrowings; and (ii) acquisition of property, plant and equipment of approximately HK\$3.2 million.

Cash flows from financing activities

During the Track Record Period, the Group's cash outflow for financing activities primarily consisted of repayment of bank borrowings, dividends payment and deemed distribution to a controlling shareholder, and the Group's cash inflow from financing activities primarily consisted of proceeds from bank borrowings.

Year ended 31 December 2014

For the year ended 31 December 2014, the Group recorded net cash generated from financing activities of approximately HK\$2.7 million mainly due to the proceeds from bank borrowings of approximately HK\$11.3 million, which was partially offset by the repayment of bank borrowings of approximately HK\$8.0 million.

Year ended 31 December 2015

For the year ended 31 December 2015, the Group recorded net cash used in financing activities of approximately HK\$33.1 million mainly due to the repayment of bank borrowings of approximately HK\$28.1 million and dividends payment of approximately HK\$28.7 million, which was partially offset by the proceeds from bank borrowings of approximately HK\$24.4 million.

FINANCIAL INFORMATION

Year ended 31 December 2016

For the year ended 31 December 2016, the Group recorded net cash used in financing activities of approximately HK\$51.2 million mainly due to (i) the repayment of bank borrowings of approximately HK\$37.4 million; (ii) dividends payment of approximately HK\$45.9 million; and (iii) deemed distribution to a controlling shareholder of approximately HK\$7.0 million, which was partially offset by the proceeds from bank borrowings of approximately HK\$39.8 million.

CAPITAL EXPENDITURES

During each of the three years ended 31 December 2016, the Group incurred capital expenditure for the addition of property, plant and equipment, which mainly includes purchases of plant and machinery, furniture, fixture and equipment, office equipment, motor vehicles and leasehold improvement, of approximately HK\$1.4 million, HK\$0.3 million and HK\$4.1 million, respectively.

The Group anticipates that the funds required for such capital expenditure will be financed by cash generated from operations, bank borrowings and the net proceeds from the Share Offer. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of business plan, including but not limited to, potential acquisitions, the progress of capital projects, market conditions and the outlook of future business conditions. As the Group will continue to expand, additional capital expenditures may be incurred and the Group may consider raising additional funds as and when appropriate. The Group's ability to obtain additional funding in the future is subject to a variety of uncertainties including but not limited to, further operation results, financial conditions and cash flows, economic, political and other conditions.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the internal resources and the unutilised banking facilities presently available to the Group, and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for the Group's present requirements for at least the next 12 months commencing on the date of this prospectus.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth a breakdown of the Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current assets				
Inventories	1,033	1,148	976	800
Amounts due from customers of contract works	42,910	19,954	14,955	15,872
Trade and other receivables	23,248	18,927	74,217	53,295
Amount due from a Director	—	7,646	—	—
Held-to-maturity investments	2,850	—	—	—
Pledged bank deposits	8,717	4,205	21,211	21,212
Cash and bank balances	<u>52,118</u>	<u>115,103</u>	<u>48,482</u>	<u>45,944</u>
	<u>130,876</u>	<u>166,983</u>	<u>159,841</u>	<u>137,123</u>
Current liabilities				
Amounts due to customers of contract works	15,948	18,927	24,439	13,565
Trade and other payables	29,290	43,737	37,957	34,710
Amount due to a Director	1,058	—	—	—
Tax payable	8,022	12,254	8,107	11,158
Bank borrowings	11,316	7,600	10,027	6,287
Obligation under finance lease	<u>201</u>	<u>207</u>	<u>178</u>	<u>125</u>
	<u>65,835</u>	<u>82,725</u>	<u>80,708</u>	<u>65,845</u>
Net current assets	<u><u>65,041</u></u>	<u><u>84,258</u></u>	<u><u>79,133</u></u>	<u><u>71,278</u></u>

The Group's net current assets increased by approximately HK\$19.2 million as at 31 December 2015 as compared with that of approximately HK\$65.0 million as at 31 December 2014, which was mainly due to the Group's profit of approximately HK\$46.5 million and partially offset by dividend of approximately HK\$28.7 million; such increase can be analysed as (i) an increase of approximately HK\$63.0 million in cash and bank balances, and partially offset by (ii) a decrease of approximately HK\$4.3 million in trade and other receivables, (iii) a decrease of approximately HK\$23.0 million in amounts due from customers of contract works, (iv) a decrease of approximately HK\$4.5 million in pledged bank deposits and (v) an increase of approximately HK\$14.4 million in trade and other payables.

FINANCIAL INFORMATION

The Group's net current assets decreased by approximately HK\$5.1 million as at 31 December 2016 as compared with that of approximately HK\$84.3 million as at 31 December 2015, which was mainly due to the Group's profit of approximately HK\$50.1 million and offset by dividend of approximately HK\$45.9 million, deemed distribution to a controlling shareholder of approximately HK\$7.0 million; such decrease can be analysed as (i) a decrease of approximately HK\$66.6 million in cash and bank balances; (ii) a decrease of approximately HK\$5.0 million in amounts due from customer of contract works; (iii) an increase of approximately HK\$5.5 million in amounts due to customers of contract works; and (iv) an increase of approximately HK\$2.4 million in bank borrowings, while partially offset by (v) an increase of approximately HK\$55.3 million in trade and other receivables; (vi) an increase of approximately HK\$17.0 million in pledged bank deposits; and (vii) a decrease of approximately HK\$5.8 million in trade and other payables.

As at 31 March 2017, being the latest practicable date for the preparation of the working capital sufficiency statement in this prospectus, the Group had net current assets of approximately HK\$71.3 million, comprising current assets of approximately HK\$137.1 million and current liabilities of approximately HK\$65.8 million. The Group's net assets position decreased by approximately HK\$7.9 million from approximately HK\$79.1 million as at 31 December 2016 mainly due to (i) the decrease in trade and other receivables of approximately HK\$20.9 million; and (ii) partially offset the decrease in amounts due to customers of contract works of approximately HK\$10.9 million.

HELD-TO-MATURITY AND AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December 2014, 2015 and 2016, the Group had held-to-maturity investments of approximately HK\$2.9 million, nil and nil, respectively. Such held-to-maturity investments included certain debt securities listed in Hong Kong. As at 31 December 2014, 2015 and 2016, the Group had available-for-sale investments of approximately HK\$2.3 million, nil and nil, respectively. Such available-for-sale investments included equity securities listed in Hong Kong and investment funds. Both held-to-maturity investments and available-for-sale investments were purchased with the Group's idle funds in the past and held for investment purposes.

The Group's investment policy include seeking professional advice of the relevant banks in making investment decisions, and the entering into such purchase of debt securities was approved by the executive Directors. The Group's financial investments are subject to on-going review and monitoring. The Directors assess, at the end of each reporting period, whether there is any objective evidence that these investments are impaired.

The held-to-maturity investments were partially sold to a Director in December 2015 and partially redeemed by the issuer on maturity in February 2015. The available-for-sale investments were sold by the Group in December 2015. The Directors have no current intention to purchase similar and/or other available-for-sale investments in the future.

FINANCIAL INFORMATION

INVENTORY ANALYSIS

The following table sets forth the inventory balance of the Group by status as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories			
Raw materials and consumables	<u>1,033</u>	<u>1,148</u>	<u>976</u>

As at 31 December 2014, 2015 and 2016, the Group's inventory amounted to approximately HK\$1.0 million, HK\$1.1 million and HK\$1.0 million, respectively, and remained relatively stable. The Group's inventory primarily refers to the raw materials to be fabricated by its suppliers, such raw materials are generally stored in the factories of the Group's suppliers.

The following table sets forth the Group's inventory turnover days during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Inventory turnover days	1.4	1.8	1.4

Note: Inventory turnover days is calculated based on the average of the beginning and ending balance of inventory divided by revenue for the year and multiplied by the number of days of the year (i.e. 365 days for a full year).

For each of the three years ended 31 December 2016, the Group's inventory turnover days were approximately 1.4 days, 1.8 days and 1.4 days, respectively. Due to the nature of the Group's inventory, the raw materials of the Group are stored in the factories of its suppliers and will be further fabricated shortly, as such, the Group has relatively short inventory turnover days.

As at 31 March 2017, approximately HK\$976,000 or 100.0% of the Group's inventories as at 31 December 2016 has been used.

FINANCIAL INFORMATION

AMOUNTS DUE FROM/(TO) CUSTOMERS OF CONTRACT WORKS

The following table sets forth the details of the amounts due from/(to) customers of contract works as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred to date plus recognised profits			
less recognised losses	646,071	785,781	728,874
Less: Progress billings to date	<u>(619,109)</u>	<u>(784,754)</u>	<u>(738,358)</u>
	<u>26,962</u>	<u>1,027</u>	<u>(9,484)</u>
Amounts due from customers of contract works	42,910	19,954	14,955
Amounts due to customers of contract works	<u>(15,948)</u>	<u>(18,927)</u>	<u>(24,439)</u>
	<u>26,962</u>	<u>1,027</u>	<u>(9,484)</u>

Amounts due to customers for contract works represent design and build projects in progress where the Group's progress billings exceed the costs incurred plus recognised profits less recognised losses. Conversely, if the costs incurred plus recognised profits less recognised losses exceed progress billings, amounts due from customers for contract works will be recognised as current assets of the Group.

As at 31 December 2014, 2015 and 2016, the Group had (i) amounts due from customers of contract works of approximately HK\$42.9 million, HK\$20.0 million and HK\$15.0 million, respectively; and (ii) amounts due to customers of contract works of approximately HK\$15.9 million, HK\$18.9 million and HK\$24.4 million, respectively.

The key components of amounts due from customers for contract works as at 31 December 2014 comprised two contracts for which the Group was in negotiation with the customers over the final certification account and relatively less certification by certain major customers as certain projects did not achieve substantial progress until the year ended 31 December 2015. Certification from such customers picked up the pace and the Group concluded the final account negotiation for one of the aforementioned contracts in year 2015, resulting in a decrease in amounts due from customers for contract works as at 31 December 2015. The amounts due from customers for contract works as at 31 December 2016 comprised relatively smaller sum of work done pending customer certification for numerous contracts. The rise in amounts due to customers for contract works was generally in line with the Group's revenue growth throughout the Track Record Period.

FINANCIAL INFORMATION

As at 31 March 2017, approximately HK\$9.9 million or 66.2% of the Group's amount due from customers of contract works as at 31 December 2016 has been settled or certified.

TRADE AND OTHER RECEIVABLES

The following table sets forth a breakdown of the Group's trade and other receivables as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	11,524	8,895	30,220
Retention receivables	10,324	6,331	9,737
Deposits, prepayments and other receivables	<u>1,400</u>	<u>3,701</u>	<u>34,260</u>
	<u><u>23,248</u></u>	<u><u>18,927</u></u>	<u><u>74,217</u></u>

Trade receivables

During the Track Record Period, the credit period granted by the Group to its trade debtors ranged from 20 to 60 days. The following table sets forth an ageing analysis of the trade receivables (net), based on invoice date, as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 30 days	8,022	6,435	28,189
31 — 60 days	370	73	485
61 — 90 days	308	284	35
Over 90 days but less than 1 year	1,751	541	268
Over 1 year	<u>1,073</u>	<u>1,562</u>	<u>1,243</u>
	<u><u>11,524</u></u>	<u><u>8,895</u></u>	<u><u>30,220</u></u>

FINANCIAL INFORMATION

The ageing analysis of the trade receivables (net), based on due date, as at the end of each reporting period is as follows:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	<u>8,342</u>	<u>6,592</u>	<u>28,165</u>
Past due but not impaired			
Past due less than 30 days	50	200	304
Past due for 30 or more but less than 60 days	309	8	240
Past due for 60 or more but less than 90 days	1,145	100	24
Past due for 90 days but less than 1 year	805	433	491
Past due for 1 year or more	<u>873</u>	<u>1,562</u>	<u>996</u>
	<u>3,182</u>	<u>2,303</u>	<u>2,055</u>
	<u>11,524</u>	<u>8,895</u>	<u>30,220</u>

Trade receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers that have long-term business relationship with the Group. Based on past experience, management of the Group believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's trade receivables mainly represent the billed amount of progress payment receivables from its customers for the contract works performed by the Group. As at 31 December 2014, 2015 and 2016, the Group's trade receivables amounted to approximately HK\$11.5 million, HK\$8.9 million and HK\$30.2 million, respectively. As at 31 December 2014 and 2015, the Group's trade receivables due from a major customer with a credit period of 20 days amounted to approximately HK\$0.4 million and HK\$4.1 million, respectively. However, as at 31 December 2016, the Group's trade receivables due from such major customer increased to approximately HK\$7.6 million, at the same time, approximately HK\$18.7 million were due from other two major customers, to which the Group has granted a longer credit period of 60 days.

FINANCIAL INFORMATION

The following table sets forth the Group's trade receivables turnover days during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Trade receivables turnover days	24.6	17.0	26.1

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year and multiplied by the number of days of the year (i.e. 365 days for a full year).

For each of the three years ended 31 December 2016, the Group's trade receivables turnover days were approximately 24.6 days, 17.0 days and 26.1 days, respectively, which were generally in line with the credit period of 20 to 60 days granted by the Group to its customers. The relatively longer trade receivables turnover days during the year ended 31 December 2016 was mainly due to relatively longer credit periods granted to certain major customers as compared with that for the two years ended 31 December 2015.

As at 31 March 2017, approximately HK\$27.0 million or 89.2% of the Group's trade receivables as at 31 December 2016 has been settled.

Retention receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts, ranging from 1 year to 2 years from the date of the completion of the respective project. The following table sets forth an ageing analysis of the retention receivables, based on the expiry of the defects liability period, as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet past due	6,539	3,466	7,035
Past due less than 1 year	3,271	2,533	1,032
Past due over 1 year or more	<u>514</u>	<u>332</u>	<u>1,670</u>
	<u>10,324</u>	<u>6,331</u>	<u>9,737</u>

FINANCIAL INFORMATION

The following table sets forth the Group's retention receivables turnover days during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Retention receivables turnover days	21.7	13.9	10.7

Note: Retention receivables turnover days is calculated based on the average of the beginning and ending balance of retention receivables divided by revenue for the year and multiplied by the number of days of the year (i.e. 365 days for a full year).

For each of the three years ended 31 December 2016, the Group's retention receivables turnover days were approximately 21.7 days, 13.9 days and 10.7 days, respectively. The decreasing trend in the Group's retention receivables turnover days was mainly due to (i) the relative stable level of retention receivables; and (ii) the increase in the Group's revenue during the Track Record Period.

Deposits, prepayments and other receivables

The following table sets forth a breakdown of the Group's deposits, prepayments and other receivables as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	87	241	650
Prepayments			
- Material and processing charges	626	645	31,317
- Subcontracting charges	—	—	606
- Listing expenses	—	1,893	680
- Others	3	46	62
Other receivables	<u>684</u>	<u>876</u>	<u>945</u>
	<u>1,400</u>	<u>3,701</u>	<u>34,260</u>

The Group's deposits mainly include utilities deposit and rental deposit while the Group's prepayments can be divided into four categories, namely (i) material and processing charges; (ii) subcontracting charges; (iii) Listing expenses; and (iv) other miscellaneous prepayments. Other receivables of the Group represent the receivables from insurance companies in relation to claims of the Group.

FINANCIAL INFORMATION

The Group is generally required to pay its suppliers in advance of payment from its customers, whereas its customers normally make progress payments to the Group after the works have commenced and/or completed. A typical design and build project generally incurs prepayments of material and processing charges, such as material fabrication and setting up of mock-up test, at the early to mid-stage and rarely incurs prepayments of material and processing charges at the installation stage. In addition, some of the Group's suppliers require 20% to 50% of the total purchase order amount as deposit. As at 31 December 2014, 2015 and 2016, the Group's prepayments of material and processing charges amounted to approximately HK\$626,000, HK\$645,000 and HK\$31.3 million, respectively, representing approximately 0.2%, 0.2% and 7.2% of the Group's value of design and build projects on hand as at the end of the reporting date, respectively. The Directors consider that there is no direct correlation between the amount of prepayments of material and processing charges and the Group's value of design and build projects on hand because (i) deposit requirement and payment schedule agreed between each supplier and the Group differ from project to project; and (ii) the progress of the Group's design and build projects on hand as at the respective year-end date varies widely depending on their respective programme. The significant increase in prepayments of material and processing charges of approximately HK\$30.7 million from approximately HK\$0.6 million as at 31 December 2015 to approximately HK\$31.3 million as at 31 December 2016 was mainly due to the advance payments to suppliers of two design and build projects for the mock-up test, glasses, aluminium sliding system and handrail. As at 31 December 2016, the prepayments of material and processing charges of these two projects amounted to approximately HK\$26.8 million and HK\$3.7 million, respectively, representing approximately 51.9% and 37.2% of their respective purchase order as at 31 December 2016 of approximately HK\$51.8 million and HK\$10.0 million, respectively. Other receivables of the Group represent the receivables from insurance companies in relation to claims of the Group.

As at 31 March 2017, approximately HK\$13.9 million or 44.5% of the Group's prepayments of material and processing charges as at 31 December 2016 has been utilised.

AMOUNT DUE FROM/(TO) A DIRECTOR

As at 31 December 2014, the amount due to Mr. Lee, an executive Director and a Controlling Shareholder, was approximately HK\$1.1 million. As at 31 December 2015, the amount due from Mr. Lee was approximately HK\$7.6 million. Such balances were non-trade in nature, unsecured, non-interest bearing and repayable on demand. The amount due from Mr. Lee was fully settled in December 2016. For further details, please refer to note 20 in the Accountant's Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

TRADE AND OTHER PAYABLES

The following table sets forth a breakdown of the Group's trade and other payables as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	22,126	33,675	21,329
Retention payables	1,924	3,643	7,369
Accruals and other payables	5,240	6,419	6,252
Receipt in advance	<u>—</u>	<u>—</u>	<u>3,007</u>
	<u>29,290</u>	<u>43,737</u>	<u>37,957</u>

Trade payables

During the Track Record Period, the credit period granted by the Group to its trade creditors ranged from 0 to 60 days. The following table sets forth an ageing analysis of the trade payables (net), based on invoice date, as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 30 days	8,023	15,071	10,732
31 — 60 days	3,429	9,397	2,937
61 — 90 days	533	2,281	1,012
Over 90 days	<u>10,141</u>	<u>6,926</u>	<u>6,648</u>
	<u>22,126</u>	<u>33,675</u>	<u>21,329</u>

The Group's trade payables mainly represent the payables for material and processing charges and subcontracting charges. As at 31 December 2014, 2015 and 2016, the Group's trade payables amounted to approximately HK\$22.1 million, HK\$33.7 million and HK\$21.3 million, respectively. The increase in the Group's trade payables as at 31 December 2015 as compared to that as at 31 December 2014 was mainly due to the increase in cost of revenue as more projects were in execution stage during the year ended 31 December 2015. The decrease in trade payables as at 31 December 2016 was mainly due to advance payments to material suppliers and subcontractors of two design and build projects.

FINANCIAL INFORMATION

The following table sets forth the Group's trade payables turnover days during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Trade payables turnover days	58.2	46.5	36.6

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by revenue for the year and multiplied by the number of days of the year (i.e. 365 days for a full year).

For each of the three years ended 31 December 2016, the Group's trade payables turnover days were approximately 58.2 days, 46.5 days and 36.6 days, respectively, which were generally in line with the credit period of 0 to 60 days granted to the Group by its suppliers and subcontractors. The decreasing trend in the Group's trade payables turnover days was mainly due to (i) the relative stable level of trade payables; and (ii) the increase in the Group's revenue during the Track Record Period.

As at 31 March 2017, approximately HK\$15.6 million or 73.2% of the Group's trade payables as at 31 December 2016 has been settled.

Retention payables

The following table sets forth an ageing analysis of the retention payables, based on invoice date as at the end of each reporting period:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	1,667	3,337	5,635
Over 1 year	<u>257</u>	<u>306</u>	<u>1,734</u>
	<u><u>1,924</u></u>	<u><u>3,643</u></u>	<u><u>7,369</u></u>

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets out the Group's indebtedness as at dates indicates:

	As at 31 December			As at
	2014	2015	2016	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current liabilities				
Bank borrowings	11,316	7,600	10,027	6,287
Obligation under finance lease	<u>201</u>	<u>207</u>	<u>178</u>	<u>125</u>
	<u>11,517</u>	<u>7,807</u>	<u>10,205</u>	<u>6,412</u>
Non-current liability				
Obligation under finance lease	<u>385</u>	<u>178</u>	<u>—</u>	<u>—</u>
	<u><u>11,902</u></u>	<u><u>7,985</u></u>	<u><u>10,205</u></u>	<u><u>6,412</u></u>

As at 31 December 2014, 2015 and 2016, the Group's indebtedness position was at approximately HK\$11.9 million, HK\$8.0 million and HK\$10.2 million, respectively. The Group's indebtedness was primarily bank borrowings of approximately HK\$11.3 million, HK\$7.6 million and HK\$10.0 million as at 31 December 2014, 2015 and 2016, respectively, which were used for financing the Group's daily operations.

As at 31 March 2017, the Group had a total available banking facilities of approximately HK\$80.4 million, of which approximately HK\$34.1 million was utilised and approximately HK\$46.3 million was unutilised. Amongst such unutilised banking facilities, (i) approximately HK\$11.6 million represents facilities reserved for foreign exchange; and (ii) approximately HK\$12.0 million represents SME loans that will be cancelled by the Group before Listing, and were not available for the Group's operation purposes. As such, the unutilised banking facilities available for the Group's operations amounted to only approximately HK\$22.7 million. The Group intends to repay any outstanding banking facilities primarily by the internal resources generated from its operating activities. The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Group has not experienced any difficulties in obtaining bank borrowings nor any default in repayment on bank borrowings.

FINANCIAL INFORMATION

Bank borrowings

The status of the Group's bank borrowings as at the respective financial position dates is as follows:

	As at 31 December			As at
	2014	2015	2016	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
				(unaudited)
Bank borrowings	<u>11,316</u>	<u>7,600</u>	<u>10,027</u>	<u>6,287</u>

Notes:

- (a) Bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2014, 2015, and 2016 granted under banking facilities ranged from 5.25% to 5.50%, 5.25% to 5.50% and 5.25%, respectively per annum.

The interest rates of the Group's bank borrowings as at 31 March 2017 granted under banking facilities were 5.25% per annum.

- (b) The Group's bank borrowings and banking facilities as at 31 December 2014, 2015 and 2016 are secured by the following:

- Bank deposits of HK\$8,717,000, HK\$4,205,000 and HK\$21,211,000 as at 31 December 2014, 2015 and 2016, respectively.
- Personal guarantees from Mr. Lee and Ms. Ku;
- Legal charge over (i) a property owned by Mr. Lee and Ms. Lam as at 31 December 2014; and (ii) a property owned by Mr. Lee as at 31 December 2015 and 2016;
- Legal charge over a property owned by Mr. Leung and Ms. Ku as at 31 December 2014, 2015 and 2016; and
- Legal charge over a property owned by a related company, in which Ms. Lam and Mr. Leung have equity interests as at 31 December 2014, 2015 and 2016.

The abovementioned personal guarantees and the legal charge over the properties existed at the date of this report will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the Listing.

The Group's bank borrowings and banking facilities as at 31 March 2017 are secured by the following:

- Bank deposits of HK\$21,212,000 as at 31 March 2017;
- Personal guarantees from Mr. Lee and the spouse of Mr. Leung;
- Legal charge over a property owned by Mr. Lee;

FINANCIAL INFORMATION

- Legal charge over a property owned by Mr. Leung and his spouse; and
- Legal charge over a property owned by a related company, in which the spouse of Mr. Lee and Mr. Leung have equity interests as at 31 March 2017.

The personal guarantees and the legal charge over the properties existed at the date of this prospectus will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the Listing.

Obligation under finance lease

The Group leases a motor vehicle and the lease is classified as finance lease. The lease obligation is secured by the lease asset.

The future lease payments under the finance lease are due as follows:

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
<i>As at 31 December 2014</i>			
Not later than one year	215	(14)	201
Later than one year and not later than five years	<u>395</u>	<u>(10)</u>	<u>385</u>
	<u>610</u>	<u>(24)</u>	<u>586</u>
	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
<i>As at 31 December 2015</i>			
Not later than one year	215	(8)	207
Later than one year and not later than five years	<u>180</u>	<u>(2)</u>	<u>178</u>
	<u>395</u>	<u>(10)</u>	<u>385</u>

FINANCIAL INFORMATION

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
<i>As at 31 December 2016</i>			
Not later than one year	180	(2)	178
Later than one year and not later than five years	<u>—</u>	<u>—</u>	<u>—</u>
	<u>180</u>	<u>(2)</u>	<u>178</u>

	Minimum lease payments <i>HK\$'000</i> (unaudited)	Interest <i>HK\$'000</i> (unaudited)	Present value <i>HK\$'000</i> (unaudited)
<i>As at 31 March 2017</i>			
Not later than one year	126	(1)	125
Later than one year and not later than five years	<u>—</u>	<u>—</u>	<u>—</u>
	<u>126</u>	<u>(1)</u>	<u>125</u>

The net carrying amounts of the Group's motor vehicle held under finance lease, which are classified as property, plant and equipment as at 31 December 2014, 2015 and 2016 amounted to approximately HK\$572,000, HK\$327,000 and HK\$82,000, respectively.

The net carrying amount of the Group's motor vehicle held under finance lease, which is classified as property, plant and equipment, as at 31 March 2017 amounted to approximately HK\$21,000.

The Group's finance lease liabilities are subject to personal guarantee provided by Mr. Lee as at 31 March 2017. The Directors confirmed that the outstanding finance lease liabilities would be settled prior to the Listing Date. After full repayment of such finance lease liabilities, the aforementioned personal guarantee given by Mr. Lee will be released.

FINANCIAL INFORMATION

The present value of future lease payments is analysed as:

	As at 31 December			As at
	2014	2015	2016	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current liabilities	201	207	178	125
Non-current liabilities	<u>385</u>	<u>178</u>	<u>—</u>	<u>—</u>
	<u>586</u>	<u>385</u>	<u>178</u>	<u>125</u>

The effective interest rates of the Group's finance lease liability as at 31 December 2014 and 2015 and 2016 were 2.92%, 2.92% and 2.92%, respectively, per annum.

The effective interest rate of the Group's finance lease liability as at 31 March 2017 was 2.92% per annum.

Contingent liabilities

Guarantees

The Group provides guarantee in respect of the surety bonds in favour of the customers of certain construction contracts. Details of these guarantees as at the respective financial position dates as follows:

	As at 31 December			As at
	2014	2015	2016	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Aggregate value of the surety bonds issued in favour of customers	<u>10,905</u>	<u>7,954</u>	<u>27,768</u>	<u>27,768</u>

The collaterals provided by the Group for the issued surety bonds are disclosed in note (b) of the sub-section headed "Indebtedness — Bank borrowings" in this section.

FINANCIAL INFORMATION

Litigation

During the Track Record Period, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remained outstanding as at 31 December 2016. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the Directors, sufficient insurance coverage is maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have material adverse impact on the financial position of the Group.

Save as disclosed and as otherwise disclosed in sub-section headed “Indebtedness” in this section, and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, charges, debt securities, term loans, other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or any guarantees or other material contingent liabilities at the close of business on 31 March 2017.

Material indebtedness change

The Directors confirm that (i) there has not been any material change in the Group’s indebtedness and contingent liabilities since 31 December 2016 and up to the Latest Practicable Date; (ii) the Directors are not aware of any material defaults in payment of the Group’s trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iii) the bank loans, finance lease and bank facility is subject to standard banking conditions; (iv) the Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of the Group’s bank borrowings and facilities are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect the Group’s ability to undertake additional debt or equity financings. Save as disclosed in sub-section headed “Indebtedness” in this section, the Group did not have, at the close of business on 31 December 2016, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET HIRE PURCHASE COMMITMENTS AND ARRANGEMENTS

Except for the finance lease set forth above in the sub-section headed “Indebtedness — Obligation under finance lease” in this section, as at the Latest Practicable Date, the Group did not have any off-balance sheet hire purchase commitments or arrangements.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company did not have any distributable reserve available for distribution to Shareholders.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets for a summary of the Group's key financial ratios during the Track Record Period:

	<i>Notes</i>	Year ended 31 December		
		2014	2015	2016
Return on total assets	1	23.3%	27.6%	30.6%
Return on equity	2	45.9%	54.2%	60.4%
Net profit margin	3	20.7%	21.2%	18.3%
Interest coverage	4	116.2 times	120.9 times	111.7 times
		As at 31 December		
		2014	2015	2016
Current ratio	5	2.0	2.0	2.0
Quick ratio	6	2.0	2.0	2.0
Gearing ratio	7	17.5%	9.3%	12.3%
Net debt to equity ratio	8	N/A	N/A	N/A

Notes:

1. Return on total assets is calculated by dividing profit for the respective year with total assets as at the end of the respective year multiplied by 100%.
2. Return on equity is calculated by dividing profit for the respective year with total equity as at the end of the respective year multiplied by 100%.
3. Net profit margin is calculated by dividing profit with revenue for the respective year multiplied by 100%.
4. Interest coverage is calculated by dividing profit before finance costs and income tax with finance costs for the respective year.
5. Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year.
6. Quick ratio is calculated by dividing total current assets minus inventories with total current liabilities as at the end of the respective year.
7. Gearing ratio is calculated by dividing total debts which include bank borrowings and obligation under finance lease with total equity as at the end of the respective year.
8. Net debt to equity ratio is calculated by dividing total debts minus bank balances and cash and pledged bank deposits with total equity as at the end of the respective year.

FINANCIAL INFORMATION

Return on total assets

Return on total assets of the Group amounted to approximately 23.3% and 27.6% for each of the two years ended 31 December 2015, respectively, such increase was primarily due to the increase of the Group's profit of the year from approximately HK\$31.3 million for the year ended 31 December 2014 to approximately HK\$46.5 million for the year ended 31 December 2015. For the year ended 31 December 2016, the Group recorded return on total assets of approximately 30.6%, which was higher than that of approximately 27.6% for the year ended 31 December 2015. Such increase was primarily due to (i) the increase of the Group's profit of the year from approximately HK\$46.5 million for the year ended 31 December 2015 to approximately HK\$50.1 million for the year ended 31 December 2016; and (ii) the decrease in total assets of the Group from approximately HK\$168.7 million as at 31 December 2015 to approximately HK\$163.7 million as at 31 December 2016.

Return on equity

Return on equity of the Group was approximately 45.9% and 54.2% for each of the two years ended 31 December 2015, respectively, such increase was primarily due to the increase of the Group's profit of the year from approximately HK\$31.3 million for the year ended 31 December 2014 to approximately HK\$46.5 million for the year ended 31 December 2015 and was partly offset by the increase in equity from approximately HK\$68.1 million as at 31 December 2014 to approximately HK\$85.8 million as at 31 December 2015. For the year ended 31 December 2016, the Group recorded return on equity of approximately 60.4%, which was higher than that of approximately 54.2% for the year ended 31 December 2015. Such increase was primarily due to (i) the increase of the Group's profit of the year from approximately HK\$46.5 million for the year ended 31 December 2015 to approximately HK\$50.1 million for the year ended 31 December 2016; and (ii) the decrease in total equity of the Group from approximately HK\$85.8 million as at 31 December 2015 to approximately HK\$82.9 million as at 31 December 2016, mainly as a result from the dividends declared of approximately HK\$45.9 million and the deemed distribution to a controlling shareholder of HK\$7.0 million.

Net profit margin

Net profit margins of the Group remained relatively stable at approximately 20.7%, 21.2% and 18.3% for each of the three years ended 31 December 2016, respectively. The Group recorded net profit margin of approximately 18.3% for the year ended 31 December 2016, which was lower than that of each of the two years ended 31 December 2015. If the corresponding Listing expenses of approximately HK\$1.2 million and HK\$7.4 million were excluded, the Group's net profit margin for the year ended 31 December 2015 and 2016 would have been approximately 21.8% and 21.0%, respectively, which remained relatively stable.

FINANCIAL INFORMATION

Interest coverage

Interest coverage of the Group amounted to approximately 116.2 times, 120.9 times and 111.7 times for each of the three years ended 31 December 2016, respectively. The increase of the Group's interest coverage over the two years ended 31 December 2015 was primarily due to the increase in the Group's revenue and profit before finance costs and income tax. The Group's interest coverage amounted to approximately 111.7 times for the year ended 31 December 2016, which was lower than that of each of the two years ended 31 December 2015 respectively. Such decrease was primarily due to the increase of the finance costs to a larger extent as compared to that of the profit before finance costs and income tax during the year 31 December 2016. For further details, please refer to the sub-section headed "Comparison of results of operations" in this section.

Current ratio

Current ratio of the Group remained relatively stable at approximately 2.0 times, 2.0 times and 2.0 times as at 31 December 2014, 2015 and 2016, respectively.

Quick ratio

As the Group's inventories as at 31 December 2014, 2015 and 2016 only amounted to approximately HK\$1.0 million, HK\$1.1 million and HK\$1.0 million, respectively, quick ratio of the Group is similar to that of its current ratio. Quick ratio of the Group remained relatively stable at approximately 2.0 times, 2.0 times and 2.0 times as at 31 December 2014, 2015 and 2016, respectively.

Gearing ratio

Gearing ratio of the Group amounted to approximately 17.5%, 9.3% and 12.3% as at 31 December 2014, 2015 and 2016, respectively. The fluctuations during the Track Record Period were mainly due to the changes in total debt of approximately HK\$11.9 million, HK\$8.0 million and HK\$10.2 million as at 31 December 2014, 2015 and 2016, respectively. The increase in total debt as at 31 December 2016 was mainly attributable to the increase of approximately HK\$2.4 million of the Group's bank borrowings from approximately HK\$7.6 million as at 31 December 2015 to approximately HK\$10.0 million as at 31 December 2016.

Net debt to equity ratio

There was no net debt as at 31 December 2014, 2015 and 2016, respectively, thus the net debt to equity ratio is not applicable to the Group. For further details on the Group's financial performance and borrowings, please refer to the sub-sections headed "Comparison of results of operations" and "Indebtedness" in this section.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group had certain related party transactions in relation to (i) purchase of materials; (ii) rental of office; and (iii) sale of held-to-maturity investments, details of which are set out in the note 35 in the Accountant's Report set out in Appendix I to this prospectus. The Directors confirm that these related party transactions were conducted on an arm's length basis and normal commercial terms, which ceased during the Track Record Period.

Having considered that the transaction amounts of these related party transactions are relatively insignificant as compared to the Group's total revenue, the Directors consider that these related party transactions did not distort the Group's financial results during the Track Record Period or make the Group's historical results unreflective of the Group's future performance.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for Shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group monitors its capital using gearing ratio, which is total debt to equity. Total debts include bank borrowings and obligation under finance lease. Equity represents total equity of the Group. For further details on the Group's capital management objectives and policies, please refer to note 36 of the Accountant's Report set out in Appendix I to this prospectus.

Financial risk management

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. For further details on the Group's financial risk management objectives and policies, please refer to note 38 of the Accountant's Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma combined net tangible assets of the Group is prepared on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 December 2016. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group after the Share Offer or at any future dates.

	Combined net tangible assets of the Group as at 31 December 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma combined net tangible assets of the Group	Unaudited pro forma combined net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on the Offer Price of HK\$0.40 per Share	82,947	82,737	165,684	0.166
Based on the Offer Price of HK\$0.42 per Share	82,947	87,512	170,459	0.170

Notes:

1. The combined net tangible assets of the Company as at 31 December 2016 are based on audited combined net assets of the Company as at 31 December 2016 of HK\$82,947,000 as shown in the Accountant's Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 250,000,000 Shares to be issued at the minimum and maximum indicative Offer Price of HK\$0.40 and HK\$0.42 per Share, respectively, after deduction of the underwriting fees and related expenses of approximately HK\$17,263,000 or HK\$17,488,000, based on the Offer Price of HK\$0.40 or HK\$0.42 per Share, payable and borne by the Company which has not been reflected in combined net tangible assets of the Company as at 31 December 2016. No account has been taken of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
3. The unaudited pro forma combined net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assuming the Share Offer had been completed on 31 December 2016, but takes no account of any Shares which may be issued pursuant to the exercise of any options may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.
4. The unaudited pro forma combined net tangible assets of the Group and the unaudited pro forma combined net tangible assets per Share have not taken into account the interim dividends declared subsequent to 31 December 2016.

FINANCIAL INFORMATION

On 31 March 2017, the directors of a subsidiary declared interim dividend amounting to HK\$20,000,000 to its then shareholders and such dividend was settled by current accounts with Directors. Had the dividend of HK\$20,000,000 been taken into account, the unaudited pro forma combined net tangible assets per Share would have been reduced to HK\$0.146 (assuming an Offer Price of HK\$0.40 per Share) and HK\$0.150 (assuming an Offer Price of HK\$0.42 per Share), respectively.

5. No adjustment has been made to the unaudited pro forma combined net tangible assets of the Group to reflect any trading results or other transactions of the Company entered into subsequent to 31 December 2016.

LISTING EXPENSES

The Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$26.0 million, of which approximately HK\$9.9 million is directly attributable to the Share Offer and is expected to be accounted for as a deduction from equity upon Listing and the remaining amount of approximately HK\$16.1 million, which cannot be so deducted, will be charged to the Group's profit or loss. During each of the two years ended 31 December 2016, approximately HK\$1.2 million and HK\$7.4 million of the Listing expenses has been charged to the Group's profit or loss, respectively. Approximately HK\$7.5 million is expected to be incurred for the year ending 31 December 2017.

Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that the Group's financial performance and results of operations for the year ending 31 December 2017 will be affected by the estimated expenses in relation to the Listing.

DIVIDENDS

During the Track Record Period, subsidiaries of the Company declared dividends of which the details are set out as below:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Interim dividends attributable to			
- Owners of the Company	—	28,560	45,900
- Non-controlling interests	<u>29</u>	<u>140</u>	<u>—</u>
	<u>29</u>	<u>28,700</u>	<u>45,900</u>

No dividend has been paid or declared by the Company since its incorporation. For each of the two years ended 31 December 2016, subsidiaries of the Company declared interim dividend of approximately HK\$28,700,000 and HK\$45,900,000, respectively, to their then shareholders.

FINANCIAL INFORMATION

For the year ended 31 December 2014, a subsidiary of the Company declared an interim dividend of approximately HK\$117,000, of which approximately HK\$29,000 was paid to that subsidiary's shareholder with non-controlling interest.

The Group declared an interim dividend of HK\$20,000,000 on 31 March 2017 to the then shareholders of the Group, which was settled by current accounts with Directors. All of the aforesaid dividends were fully settled by the Group.

The Group currently does not have a fixed dividend policy. Dividend to be declared and paid in the future will be subject to the discretion of the Directors depending on the Group's business performance, financial conditions, cash availability, related statutory restrictions, future plan and prospects, and any other factors that the Directors may consider relevant. Any declaration and payment, including the amount of the dividends, will be subject to the Group's constitutional documents and the relevant laws.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sections headed "Summary — Recent development" and "Summary — Listing expenses" in this prospectus, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2016 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 December 2016 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

The section headed “Business — Business strategies” in this prospectus sets out a detailed description of the Group’s future plans.

USE OF PROCEEDS

The Group estimates that the aggregate net proceeds to the Company from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.41, being the mid-point of the Offer Price range, will be approximately HK\$76.5 million. The Directors presently intend to apply such net proceeds as follows:

- (i) approximately HK\$47.5 million or approximately 62.1% of the net proceeds for further expanding the Group’s capacity to undertake more design and build projects, of which (a) approximately HK\$32.7 million or approximately 42.8% of the net proceeds will be earmarked to finance the upfront payments to material suppliers of new projects, in particular, approximately HK\$23.2 million will be earmarked for a potential sizeable project with an estimated contract sum of approximately HK\$80.0 million which is expected to be awarded in the second quarter of 2017 (the “**Curtain Wall Project**”) while approximately HK\$9.5 million will be earmarked for any new potential projects; and (b) approximately HK\$14.8 million or approximately 19.3% of the net proceeds will be earmarked to satisfy the surety bonds requirements for any new potential projects;
- (ii) approximately HK\$16.3 million or approximately 21.3% of the net proceeds for further expanding the Group’s manpower by recruiting 20 additional full-time staff, including additional four experienced and skilled project management staff; five supporting staff for design and build projects; three experienced supporting staff for maintenance works, and five designers and three relevant supporting staff for the Shenzhen design office and expansion and relocation of new offices in Hong Kong and Shenzhen;
- (iii) approximately HK\$5.1 million or approximately 6.7% of the net proceeds for further enhancing the Group’s operational efficiency and technical capability by upgrading design and computer software and acquiring additional machinery and equipment, such as spider crane, vacuum lifter glazing robot and material handling machines, to cope with the expected growing demand in the industry; and
- (iv) approximately HK\$7.6 million or approximately 9.9% of the net proceeds will be used as general working capital of the Group.

FUTURE PLANS AND USE OF PROCEEDS

For illustrative purpose, for the period from the Latest Practicable Date to 30 June 2019, the net proceeds from the Share Offer (based on the Offer Price of HK\$0.41 per Offer Share, being the mid-point of the Offer Price range) will be used as follows:

	From the Latest Practicable Date to		Six months ending			Total	Percentage
	30 June 2017	31 December 2017	30 June 2018	31 December 2018	30 June 2019		
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	%
Expanding the Group's capacity to undertake more design and build projects	8.8	8.0	21.2	4.4	5.1	47.5	62.1
Expanding the Group's manpower	0.3	4.2	4.8	4.9	2.1	16.3	21.3
Enhancing the Group's operational efficiency and technical capability	—	3.3	1.4	0.1	0.3	5.1	6.7
General working capital	—	2.5	3.0	2.1	—	7.6	9.9
Total	9.1	18.0	30.4	11.5	7.5	76.5	100.0

In the event that the Offer Price is fixed at the high-end or the low-end compared to the mid-point of the Offer Price range, namely, HK\$0.40 and HK\$0.42 per Offer Share, the net proceeds of the Share Offer will increase or decrease by approximately HK\$2.4 million and HK\$2.4 million, respectively, and the above allocation of the net proceeds from the Share Offer will be adjusted on a pro-rata basis.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

The Group will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLANS

The Group's implementation plans are set forth below for the period from the Latest Practicable Date to 30 June 2019. Based on the Group's business strategies and future plans, the Directors intend to carry out the following implementation plans:

From the Latest Practicable Date to 30 June 2017

Business strategies	Implementation plans	Use of proceeds
Expanding the Group's capacity to undertake more design and build projects	<ul style="list-style-type: none"> • Payment for certain upfront material costs of the Curtain Wall Project 	Approximately HK\$0.7 million
	<ul style="list-style-type: none"> • Earmark for satisfying the surety bond requirement of the Curtain Wall Project 	Approximately HK\$8.1 million
Expanding the Group's manpower	<ul style="list-style-type: none"> • Recruit and pay the staff costs of additional three experienced and skilled project management staff, two experienced supporting staff for maintenance works, and two designers and three relevant supporting staff for Shenzhen design office 	Approximately HK\$0.3 million

For the six months ending 31 December 2017

Business strategies	Implementation plans	Use of proceeds
Expanding the Group's capacity to undertake more design and build projects	<ul style="list-style-type: none"> • Payment for certain upfront material costs of the Curtain Wall Project 	Approximately HK\$8.0 million
Expanding the Group's manpower	<ul style="list-style-type: none"> • Staff costs for the additional 10 full-time staff recruited 	Approximately HK\$4.2 million
	<ul style="list-style-type: none"> • Recruit and pay the staff costs of additional one experienced and skilled project management staff, five supporting staff for design and build projects; one experienced supporting staff for maintenance works, and three designers for Shenzhen design office 	
	<ul style="list-style-type: none"> • Rental and expansion costs for a new design office in Shenzhen 	

FUTURE PLANS AND USE OF PROCEEDS

Business strategies	Implementation plans	Use of proceeds
Enhancing the Group's operational efficiency and technical capability	<ul style="list-style-type: none"> • Purchase new computers and upgrade various design and computer software to improve operational efficiency • Purchase one set of silicone sealant mixer and filling machine, one set of mobile scaffolding tower and electric scissor lift and one pickup truck 	Approximately HK\$3.3 million

For the six months ending 30 June 2018

Business strategies	Implementation plans	Use of proceeds
Expanding the Group's capacity to undertake more design and build projects	<ul style="list-style-type: none"> • Payment for certain upfront material costs of the Curtain Wall Project • Earmark for satisfying the surety bond requirement of potential new projects 	Approximately HK\$14.5 million
Expanding the Group's manpower	<ul style="list-style-type: none"> • Staff costs for the additional 20 full-time staff recruited • Rental and expansion costs for a new office in Hong Kong • Rental costs for Shenzhen design office 	Approximately HK\$4.8 million
Enhancing the Group's operational efficiency and technical capability	<ul style="list-style-type: none"> • Purchase one curtain wall loading platform, one set of mobile scaffolding tower and electric scissor lift, one set of spider crane and certain auxiliary equipment 	Approximately HK\$1.4 million

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2018

Business strategies	Implementation plans	Use of proceeds
Expanding the Group's capacity to undertake more design and build projects	<ul style="list-style-type: none"> • Payment for certain upfront material costs of potential new projects 	Approximately HK\$4.4 million
Expanding the Group's manpower	<ul style="list-style-type: none"> • Staff costs for the additional 20 full-time staff recruited • Rental costs for Hong Kong office and Shenzhen design office 	Approximately HK\$4.9 million
Enhancing the Group's operational efficiency and technical capability	<ul style="list-style-type: none"> • Purchase new computers to improve operational efficiency 	Approximately HK\$0.1 million

For the six months ending 30 June 2019

Business strategies	Implementation plans	Use of proceeds
Expanding the Group's capacity to undertake more design and build projects	<ul style="list-style-type: none"> • Payment for certain upfront material costs of potential new projects 	Approximately HK\$5.1 million
Expanding the Group's manpower	<ul style="list-style-type: none"> • Staff costs for the additional 20 full-time staff recruited • Rental costs for Hong Kong office and Shenzhen design office 	Approximately HK\$2.1 million
Enhancing the Group's operational efficiency and technical capability	<ul style="list-style-type: none"> • Purchase one curtain wall loading platform, one set of monorail and winch gear and certain auxiliary equipment 	Approximately HK\$0.3 million

The aforementioned proceeds of approximately HK\$16.3 million for further expanding the Group's manpower will cover the respective staff costs up to the financial year ended 31 December 2019 for a period of approximately 20 to 22 months.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR AND BENEFITS OF THE LISTING

The Directors believe that the commercial reasons of the Listing are as follow:

- The Directors believe that the Listing is strategically critical to the long term growth of the Group as it will enhance the Group's corporate profile and the net proceeds from the Share Offer to be received by the Group will strengthen its financial position which in turn facilitates the implementation of the Group's business plan as set out in the section headed "Business — Business strategies" in this prospectus. Due to the fact that (i) the Group's projects would entail larger amounts of capital as well as more substantive amounts retained for start-up costs which would lead to net cash outflows at the early stage of the projects before the Group receive progress payments from its customers; and (ii) it is a common requirement for contractors to take out surety bonds which usually amounts to approximately 10% of the total contract sum, in which the surety bond requirement may result in the lock-up of a portion of the Group's capital during the term of the surety bond and thereby affecting the Group's liquidity, the Directors believe that the capital raised through the Share Offer would strengthen the Group's cashflow position which in turn enables the Group to undertake more sizeable projects, in particular the curtain wall projects, to capture the growth of the podium facade and curtain wall works industry in Hong Kong;
- When considering the submission of the tenders, the Directors have taken into account, amongst others, (i) the nature or type of the design and projects; (ii) the costs budget; (iii) the target completion date; (iv) the Group's projects on hand; (v) the availability of the Group's resources; and (vi) scale of projects. During the Track Record Period, the Group had turned down or did not respond to approximately 36, 41 and 18 invitations of design and build projects from customers to tender respectively and it was mainly attributable to the overlapping in the work progress of various major jobs and the difficulties in allocating the Group's financial and human resources amongst these jobs simultaneously. The Directors consider that the number of projects the Group is able to undertake hinges on the availability of the Group's operational and human resources and the available working capital. In view of the foregoing, the Directors believe that, with the expansion in the Group's capacity, including but not limited to strengthening the Group's cash position and manpower, by applying the net proceeds from the Share Offer, the Group will be able to respond to more invitations or to submit tenders based on the sufficiency of its internal resources. This also places the Group in a better position to cater for the potential growth in the podium facade and curtain wall works industry in Hong Kong in the near future;
- During the Track Record Period, the Group had relied principally on cash generated from operations and bank borrowings to finance its business. The Directors consider that as a group of private companies and/or a subcontractor usually does not have a large amount of fixed assets as collateral, it would be difficult for the Group, without a listing status, to obtain bank borrowings at a competitive rate without guarantee to be provided by the Controlling Shareholders. Taking into account the fact that (i) the Group's cash outflow

FUTURE PLANS AND USE OF PROCEEDS

exposure at the initial stage of each project; and (ii) it is necessary to maintain a disciplined financial strategy without exposing the Group to aggressive gearing in order to achieve sustainable growth in the long run, the Directors consider that the net proceeds from the Share Offer are necessary for the implementation of the Group's business plans as opposed to debt financing given it is not permanent in nature and the interest expenses would impose additional cash flow burden to the Group;

- During the Track Record Period, the Group obtained most of the customers' contracts through the tender process. The Directors consider that reputation, financial strength and credibility are the major factors that customers consider when assessing the Group's tender submissions. The Directors believe that a listing status could attract more potential customers who are more willing to establish business relationship with listed companies given the reputation, listing status, public financial disclosure and general regulatory supervision by relevant regulatory bodies associated with being a listed company, in particular for sizeable design and build projects;
- According to the Ipsos Report, the revenue of the podium facade and curtain wall works industry is expected to continue its rising trend from approximately HK\$5,254.1 million in 2016 to approximately HK\$6,265.0 million in 2020, at a CAGR of approximately 4.5%. These business opportunities and drivers include the Government's policies to increase land supply for public and private residential buildings and conversion of government properties into commercial use which will continue to fuel the growth of the podium facade and curtain wall works industry in the near future. The Directors envisage that there are considerable business opportunities and growth drivers which justifies the Group's expansion plan to expand the Group's capacity to compete for more new projects;
- The Directors believe that the Listing would provide a fund-raising platform for the Company to raise the capital required to fund its further expansion and long-term development needs without reliance on the Controlling Shareholders to do so. Such platform would allow the Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansions, which could be instrumental to the Group's expansion and improving its operating and financial performance for maximum Shareholder return; and
- The Directors believe that a public listing status will offer the Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares as compared to the limited liquidity of the Shares that are privately held before the Listing. Furthermore, the Directors believe that the Group's internal control and corporate governance practices could be further enhanced following the Listing, which will in turn increase the confidence of its customers and suppliers on the Group.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Aristo Securities Limited
South China Securities Limited
Ruibang Securities Limited
Zhong Jia Securities Limited
Opus Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst others, the Placing Underwriting Agreement becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Subject to, amongst other conditions, the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and to be issued (subject to such conditions as may be stated in the approval letter) as mentioned in this prospectus and such listing and permission not subsequently revoked, and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally to subscribe or procure subscribers to subscribe for the Public Offer Shares which are being offered but not taken up under the Public Offer.

Grounds for termination

The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) may in their sole and absolute discretion, upon giving notice in writing to the Company, terminate the Public Offer Underwriting Agreement, with immediate effect if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Tuesday, 13 June 2017):

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or any change or development involving a prospective change in any existing law or any change in the interpretation or application thereof by any court or other competent authority of the Cayman Islands, BVI, Hong Kong, the PRC, or any other relevant jurisdiction (collectively, the “**Relevant Jurisdictions**”); or

UNDERWRITING

- (ii) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change in, local, national or international financial, political, military, industrial, legal, fiscal, economic, regulatory, market or currency matters or conditions (including but not limited to a change in the system under which the value of the HK\$ is linked to the US\$) in any of the Relevant Jurisdictions; or
- (iii) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the New York Stock Exchange or in the NASDAQ System or any disruption in commercial banking activities or securities settlement, payment or clearance services or procedures in any of the Relevant Jurisdictions; or
- (iv) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in any of the Relevant Jurisdictions; or
- (v) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (vi) the outbreak or escalation of hostilities involving any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or
- (vii) any event or series of events of force majeure in or affecting any of the Relevant Jurisdictions including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic (including SARS, H5N1, H1N1 or such related/mutated forms), terrorism, strike or lock-out; or
- (viii) any change or development or event involving a prospective change in the assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects of the Company or any of its subsidiaries, including any litigation or claim of material importance of any third party being threatened or instigated against the Company or any of its subsidiaries; or
- (ix) other than with the approval of the Joint Bookrunners (such approval not to be unreasonably withheld or delayed), the issue or requirement to issue by the Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole and absolute opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Share Offer; or

UNDERWRITING

- (x) a petition is presented for the winding up or liquidation of the Company or any of its subsidiaries, or the Company or any of its subsidiaries make any compromise or arrangement with their respective creditors or enter into a scheme of arrangement, or any resolution is passed for the winding-up of the Company or any of its subsidiaries, or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its subsidiaries, or anything analogous thereto occurs in respect of the Company or any of its subsidiaries; or
- (xi) a valid demand by any creditor for repayment or payment of any of the Company's indebtedness or those of any of its subsidiaries or in respect of which the Company or any of its subsidiaries is liable prior to its stated maturity,

and which, in any such case and in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters),

- (A) is or will or is likely to result in a material adverse change on the Company or its subsidiaries as a whole; or
 - (B) has or will have or is likely to have a material adverse effect on the success or marketability of the Public Offer or Placing; or
 - (C) would have the effect of making any part of the Public Offer Underwriting Agreement incapable of performance in accordance with the terms therein or which prevents the processing of applications and/or payments pursuant to the terms contained in the Public Offer Underwriting Agreement, the Application Forms, the receiving bank agreement and/or the Hong Kong Branch Share Registrar agreement; or makes it inadvisable, impracticable or inexpedient to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or
- (b) there has come to the notice of Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) after the date of the Public Offer Underwriting Agreement:
- (i) that any statement including but not limited to any forecasts, expressions of opinion, intention or expectation contained in this prospectus or the Application Forms becomes or is discovered to be untrue, inaccurate, or incomplete in any material respect or misleading or in the case of any forecast, expression of opinion, intention or expectation, is not or becomes not to be fair and honest based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) any matter or event arising or has been discovered rendering, or there coming to the notice of any of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) any matter or event showing, any of the representations and warranties given by the Company, the Controlling Shareholders or executive Directors in the Public Offer Underwriting Agreement to be untrue or inaccurate in any material respect or misleading or having been breached; or

UNDERWRITING

- (iii) there shall have occurred any matter or event, act or omission which gives or is likely to give rise to any liability to any of the Company, the Controlling Shareholders or the executive Directors pursuant to the indemnities given by the Company, the Controlling Shareholders, the executive Directors or any of them under the Public Offer Underwriting Agreement; or
- (iv) any breach on the part of the Company, the Controlling Shareholders and/or the executive Directors of any provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement in any material respect; or
- (v) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
- (vi) that the Company withdraw this prospectus and the Application Forms on the Share Offer,

then only the Joint Bookrunners may, in its sole and absolute discretion, for themselves and on behalf of the other Public Offer Underwriters, upon giving notice in writing to the Company, terminate the Public Offer Underwriting Agreement with immediate effect.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertaking by the Company

The Company has undertaken to each of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer or any share option scheme of any members of the Group adopted prior to the Listing Date as disclosed in this prospectus or to be adopted pursuant to the Listing Rules, grant of options or issue of the Shares upon exercise of such options pursuant to the Share Option Scheme, the Company will not without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time after the date of Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date, (the “**First Six-month Period**”), (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the Company’s share capital, debt capital or any securities or any interest therein; (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or (d) agree or contract to or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above, whether any of the foregoing transactions described in paragraphs (a), (b) or (c) above is to be

UNDERWRITING

settled by delivery of share capital or such other securities, in cash or otherwise. The Company further agrees that, it shall not enter into any of the foregoing transactions in paragraphs (a), (b) or (c) above, or agree or contract to or publicly announce any intention to enter into any such transaction, such that any Controlling Shareholder would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”), provided that the foregoing restrictions in paragraphs (a), (b) or (c) above shall not apply to the issue of Shares by the Company pursuant to the Share Offer or grant of options under the Share Option Scheme or issue of Shares upon exercise of such options pursuant to the Share Option Scheme.

Undertaking by the Controlling Shareholders

Each of the Controlling Shareholders has respectively agreed and undertaken to each of the Company, the Joint Bookrunners and the other Public Offer Underwriters that, it will not and it will procure that none of its affiliates, associates (as defined under the Listing Rules), or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance of the Listing Rules:

- (a) during the First Six-Month Period:
 - (i) other than any pledge or charge by it of the Shares beneficially owned by it as security in favour of an authorised institution (as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong)) or any of the Joint Bookrunners (or their respective affiliates) not involving a change of beneficial ownership of such Shares other than on enforcement for a bona fide commercial loan, offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any Share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of the Company or any securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of the Company or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above,

UNDERWRITING

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so;

- (b) at any time during the Second Six-month Period, it will not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, any of the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of the Company;
- (c) until the expiry of the Second Six-month Period, in the event that it, its affiliates or associates or nominee or trustee holding in trust for any of them enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company; and
- (d) effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares of persons other than the Directors, its substantial shareholders or their respective associates (as defined in the Listing Rules) to below 25% on or before the date falling twelve months after the Listing Date without first having obtained the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters).

Each of the Controlling Shareholders agrees and undertakes that, if at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve months from the Listing Date, it/he/she shall (i) if and when it/he/she (or his/her/its affiliates, associates or companies controlled by him/her/it or any nominee or trustee holding on trust for him/her/it) pledges or charges any shares or other securities of the Company or interests thereof beneficially owned by it/him/her, immediately inform the Company and the Joint Bookrunners and if required, the Stock Exchange, in writing of such pledge or charge together with the number of shares or other securities of the Company so pledged or charged; and (ii) if and when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or other securities of the Company or interests thereof will be disposed of, immediately inform the Company and the Joint Bookrunners in writing of such indications. Upon receiving such information in writing from the Controlling Shareholders, the Company shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement in accordance with Rule 2.07 of the Listing Rules.

Placing

Placing Underwriting Agreement

In connection with the Placing, the Controlling Shareholders, executive Directors, the Sponsor and the Company expect to enter into the Placing Underwriting Agreement with the Joint Bookrunners and the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer

UNDERWRITING

Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, the 225,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed and will lapse. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement becoming unconditional and not having been terminated in accordance with their respective terms or otherwise. It is expected that pursuant to the Placing Underwriting Agreement, the Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the sub-section headed “Underwriting arrangements and expenses — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that save as provided in the notes to Rule 10.07 of the Listing Rules, he/it shall not and shall procure that the relevant registered holder(s) of the Shares shall not:

- (a) in the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of those Shares in respect of which he is or they are shown by this prospectus as the beneficial owner (the “**Relevant Securities**”); and
- (b) in the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

The Company will inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 10.07 of the Listing Rules.

Commission and expenses

The Underwriters will receive a commission of 4.5% on the aggregate Offer Price of all the Offer Shares, out of which it will, as the case may be, be applied to settle any sub-underwriting commissions and selling concession. Assuming the Offer Price of HK\$0.41 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the underwriting commission will be approximately HK\$4.6 million. The underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are estimated to be approximately HK\$26.0 million, which will be borne by the Company.

UNDERWRITING

Underwriters' interests in the Company

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters or any of its close associates is interested beneficially in any shares in any member of the Group nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares of any member of the Group.

Compliance adviser's agreement

Under the compliance adviser's agreement, the Company appoints Messis Capital and Messis Capital agrees to act as the compliance adviser to the Company for the purpose of the Listing Rules for a fee from the Listing Date and ending on the date on which the Company complies with Rule 13.46(1) of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

Sponsor's interest in the Company

Messis Capital, being the Sponsor, has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Save for the advisory and documentation fees to be paid to Messis Capital as the Sponsor to the Listing, its obligations under the Underwriting Agreements and the compliance adviser's agreement, its acting as compliance adviser, neither Messis Capital nor any of its close associates has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

No director or employee of Messis Capital who is involved in providing advice to the Company has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Messis Capital has a directorship in the Company or any other company in the Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Messis Capital is the Sponsor and Aristo Securities Limited and South China Securities Limited are the Joint Bookrunners.

The Share Offer consists of (subject to re-allocation):

- the Public Offer of 25,000,000 Shares (subject to re-allocation as mentioned below) in Hong Kong as described below under the sub-section headed “The Public Offer” in this section; and
- the Placing of 225,000,000 Shares (subject to re-allocation as mentioned below) are to be offered to professional, institutional and other investors as described below under the sub-section headed “The Placing” in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to re-allocation as described in the sub-section headed “Pricing and allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.42 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price will be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, and such Offer Price may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.42 per Public Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,242.32 for one board lot of 10,000 Shares. Each Application Form includes a table showing the exact amount payable on application for on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.42, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to apply for Public Offer Shares — 13. Refund of application monies” in this prospectus.

Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Wednesday, 31 May 2017.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and the Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, 5 June 2017 and in any event, no later than Friday, 9 June 2017.

If, for any reason, the Company and the Joint Bookrunners (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Tuesday, 13 June 2017 the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters) considers it appropriate and together with the Group’s consent, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, the Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer:

- (a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) extend the period under which the Share Offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- (c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be re-allocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of the Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Monday, 12 June 2017 on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.gm-eng.com.hk.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving electronic application instructions to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed “How to apply for Public Offer Shares — 11. Publication of results” in this prospectus.

PUBLIC OFFER UNDERWRITING AGREEMENT

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to, amongst other things, the Company and the Joint Bookrunners agreeing on the Offer Price. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares pursuant to the Public Offer and the Placing will be conditional on, amongst other things:

- (i) the execution of the Placing Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date;
- (ii) the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee, and such approval and permission not having been subsequently revoked prior to 8:00 a.m. on the Listing Date;
- (iii) the Company, the executive Directors and the Controlling Shareholders in all material respects having complied with the Underwriting Agreements and satisfied all the obligations and conditions on their parts under the Underwriting Agreements to be performed or satisfied on or prior to the respective times and dates by which such obligations must be performed or conditions met; and
- (iv) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, the Share Offer will not proceed.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The consummation of each of the Public Offer and the Placing is conditional upon, amongst other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.gm-eng.com.hk on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Public Offer Shares — 13. Refund of application monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, 12 June 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 13 June 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

The Company is initially offering 25,000,000 Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of the Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" above.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 12,500,000 Public Offer Shares and Pool B will comprise 12,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5.0

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5.0 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Re-allocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to re-allocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may re-allocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be re-allocated as between these offerings at the discretion of the Joint Bookrunners.

Applications

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares initially offered

Subject to the re-allocation as described above, the number of Offer Shares to be initially offered under the Placing will be 225,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the re-allocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of the Company's enlarged issue share capital immediately after the completion of the Share Offer, but without taking into account Shares which may be issued upon exercise of options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of the Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the sub-section headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole. The Joint Bookrunners may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Re-allocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment.

If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to re-allocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may re-allocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be re-allocated as between these offerings at the discretion of the Joint Bookrunners.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 13 June 2017 it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 13 June 2017. The Shares will be traded in board lots of 10,000 Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Offer Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States of America, and are not a United States Person (as defined under applicable securities laws and regulations of the United States of America (“applicable U.S. Securities Laws”)); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation’s chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney’s authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Offer Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 25 May 2017 until 12:00 noon on Wednesday, 31 May 2017 from:

- (i) any of the following offices of the Joint Bookrunners:
 - (a) Aristo Securities Limited at Room 101, 1st Floor, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong
 - (b) South China Securities Limited at 28/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F., 1 Garden Road, Central
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay
	King's Road Branch	131-133 King's Road, North Point
Kowloon	Mong Kok Branch	589 Nathan Road, Mong Kok
	Tsim Sha Tsui East Branch	Shop 3, LG/F., Hilton Towers, 96 Granville Road, Tsim Sha Tsui East
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories	Fo Tan Branch	No. 2, 1/F., Shatin Galleria, 18-24 Shan Mei Street, Fo Tan
	Citywalk Branch	Shop 65, G/F., Citywalk, 1 Yeung Uk Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 25 May 2017 until 12:00 noon on Wednesday, 31 May 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — G & M HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 25 May 2017 — 9:00 a.m. to 5:00 p.m.
Friday, 26 May 2017 — 9:00 a.m. to 5:00 p.m.
Saturday, 27 May 2017 — 9:00 a.m. to 1:00 p.m.
Monday, 29 May 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 31 May 2017 — 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 31 May 2017, the last application day or such later time as described in the sub-section headed “10. Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, amongst other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Bookrunners (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of the Company, the Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under applicable U.S. Securities Laws; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined under applicable U.S. Securities Laws) or are a person described under applicable U.S. Securities Laws to which such laws do not apply;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM

General

Individuals who meet the criteria in the sub-section headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 25 May 2017 until 11:30 a.m. on Wednesday, 31 May 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 31 May 2017 or such later time under the sub-section headed “10. Effects of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instructions given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of the Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, 25 May 2017 — 9:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 26 May 2017 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Monday, 29 May 2017 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 31 May 2017 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, 25 May 2017 until 12:00 noon on Wednesday, 31 May 2017 (24 hours daily, except on Saturday, 27 May 2017 until Sunday, 28 May 2017 and on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 31 May 2017, the last application day or such later time as described in the sub-section headed “10. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 31 May 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR PUBLIC OFFER SHARES

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for application for certain numbers of Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instructions in respect of more than 10,000 Public Offer Shares must be in integral multiples of 10,000 Shares and not to exceed 12,500,000 Shares, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 31 May 2017. Instead they will open between 9:00 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 31 May 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 12 June 2017 on the Company’s website at www.gm-eng.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.gm-eng.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 12 June 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 12 June 2017 to 12:00 midnight on Sunday, 18 June 2017;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 12 June 2017 to Thursday, 15 June 2017 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 12 June 2017 to Wednesday, 14 June 2017 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do so by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

- (i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **HK eIPO White Form**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- your electronic application instructions through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.42 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 12 June 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 12 June 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 13 June 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 12 June 2017 or such other date as notified by the Company on the Company’s website at www.gm-eng.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 12 June 2017, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 12 June 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 12 June 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the sub-section headed "11. Publication of results" in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 12 June 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 12 June 2017, or such other date as notified by the Company on the Company's website at www.gm-eng.com.hk and the website of the Stock Exchange at www.hkexnews.hk as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 12 June 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 12 June 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the sub-section headed "11. Publication of results" in this section on Monday, 12 June 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 12 June 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 12 June 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 12 June 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the Company's independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

25 May 2017

The Directors
G & M Holdings Limited
Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information of G & M Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 (the "Relevant Periods"), the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and the statement of financial position of the Company as at 31 December 2016, together with a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the prospectus of the Company dated 25 May 2017 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 29 November 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as more fully explained in note 2 to the Financial Information, the Company has since 12 May 2017 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation.

The Group is principally engaged in provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. As of the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Join Forward Group Limited ("Join Forward")	The British Virgin Islands (the "BVI")/Limited liability company/ 3 November 2015	Hong Kong	4 shares of United States Dollars ("US\$") 1 each	100%	—	Investment holding

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
G & M Engineering Company Limited ("G & M Engineering")	Hong Kong/Limited liability company/ 16 November 1993	Hong Kong	1,000,000 shares of Hong Kong Dollars ("HK\$") 1,000,000	—	100%	Provision of one-stop design and build solutions for facade and curtain wall and undertaking repair and maintenance services
G & M Contracting Limited ("G & M Contracting")	Hong Kong/Limited liability company/ 31 October 2013	Hong Kong	10,000 shares of HK\$10,000	—	100% (note (a))	Provision of project management services
G & M Curtain Wall Maintenance Services Limited ("G & M Maintenance")	Hong Kong/Limited liability company/ 28 April 2010	Hong Kong	10,000 shares of HK\$10,000	—	100% (note (b))	Provision of repair and maintenance services for podium facade and curtain wall
深圳信越設計有限公司 ("G & M Design")	The People's Republic of China ("PRC")/Wholly foreign-owned enterprise/ 27 January 2016	PRC	HK\$1,000,000	—	100%	Design of aluminium curtain wall, glass curtain wall and aluminium claddings

Notes:

- (a) Upon acquisition of 25% equity interest of G & M Contracting by G & M Engineering from the non-controlling shareholder on 24 December 2015 as part of the Reorganisation as disclosed in note 2 to the Financial Information, G & M Engineering's equity interest in G & M Contracting increased from 75% to 100%;
- (b) Upon acquisition of 20% equity interest of G & M Maintenance from Mr. Chan Wai Yin, the non-controlling shareholder and the director of the Company on 1 February 2016 as part of the Reorganisation as disclosed in note 2 to the Financial Information, the Group's equity interest in G & M Maintenance increased from 80% to 100%.

The Company and all of the above subsidiaries have adopted 31 December as their financial year end date. G & M Maintenance has changed its financial year end date from 31 March to 31 December so as to facilitate the preparation of the Financial Information of the Group.

No audited financial statements have been prepared for the Company as it is newly incorporated and has not been involved in any significant business transactions except for the Reorganisation.

No audited financial statements have been prepared for Join Forward since it is not subject to any statutory audit requirements under its jurisdiction of incorporation.

The statutory financial statements of G & M Engineering and G & M Contracting for the years ended 31 December 2015 and 2016 and G & M Maintenance for the nine months ended 31 December 2015 and for the year ended 31 December 2016 were audited by BDO Limited, certified public accountants, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The statutory financial statements of G & M Engineering and G & M Contracting for the year ended 31 December 2014 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA. The statutory financial statements of G & M Maintenance for the years ended 31 March 2014 and 2015 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA. These statutory financial statements were audited by KTC Prima CPA Limited, certified public accountants.

No audited financial statements have been prepared for G & M Design since its date of incorporation.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below which conform to HKFRSs issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustment made thereon.

RESPONSIBILITY

The directors of the Company are responsible for the contents of the Prospectus including the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

BASIS OF OPINION IN RESPECT OF THE FINANCIAL INFORMATION

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 to the Financial Information below and in accordance with the accounting policies set out in note 3 to the Financial Information below, the Financial Information gives a true and fair view of the financial position of the Company as at 31 December 2016 and the financial position of the Group as at 31 December 2014, 2015 and 2016, and of the financial performance and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 December		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Revenue	7	151,304	218,820	273,912
Cost of revenue		<u>(100,911)</u>	<u>(147,753)</u>	<u>(183,389)</u>
Gross profit		50,393	71,067	90,523
Other income, gains and losses	8	544	588	17
Administrative and other operating expenses		(13,274)	(14,141)	(20,641)
Listing expenses		—	(1,185)	(7,439)
Finance costs	9	<u>(324)</u>	<u>(466)</u>	<u>(559)</u>
Profit before income tax	10	37,339	55,863	61,901
Income tax expense	11	<u>(6,074)</u>	<u>(9,371)</u>	<u>(11,824)</u>
Profit for the year		<u>31,265</u>	<u>46,492</u>	<u>50,077</u>
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
- Change in fair value of available-for-sale investments		(74)	—	—
- Reclassification on impairment of available-for-sale investments		66	—	—
- Release upon disposal of available-for-sale investments		(133)	(37)	—
- Exchange difference arising from translation of foreign operation		—	—	<u>(72)</u>
		<u>(141)</u>	<u>(37)</u>	<u>(72)</u>
Total comprehensive income for the year		<u>31,124</u>	<u>46,455</u>	<u>50,005</u>

	<i>Note</i>	Year ended 31 December		
		2014	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year attributable to:				
Owners of the Company		30,753	46,168	50,052
Non-controlling interests		<u>512</u>	<u>324</u>	<u>25</u>
		<u>31,265</u>	<u>46,492</u>	<u>50,077</u>
Total comprehensive income for the year attributable to:				
Owners of the Company		30,612	46,131	49,980
Non-controlling interests		<u>512</u>	<u>324</u>	<u>25</u>
		<u>31,124</u>	<u>46,455</u>	<u>50,005</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share				
Basic and diluted earnings per share	14	<u>4.1</u>	<u>6.2</u>	<u>6.7</u>

Combined Statements of Financial Position

	<i>Notes</i>	As at 31 December		
		2014	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	1,156	840	3,378
Prepayment for acquisition of property, plant and equipment		—	922	436
Available-for-sale investments	16	<u>2,278</u>	<u>—</u>	<u>—</u>
		<u>3,434</u>	<u>1,762</u>	<u>3,814</u>
Current assets				
Inventories	17	1,033	1,148	976
Amounts due from customers of contract works	18	42,910	19,954	14,955
Trade and other receivables	19	23,248	18,927	74,217
Amount due from a director	20	—	7,646	—
Held-to-maturity investments	21	2,850	—	—
Pledged bank deposits	22	8,717	4,205	21,211
Cash and bank balances	23	<u>52,118</u>	<u>115,103</u>	<u>48,482</u>
		<u>130,876</u>	<u>166,983</u>	<u>159,841</u>
Current liabilities				
Amounts due to customers of contract works	18	15,948	18,927	24,439
Trade and other payables	24	29,290	43,737	37,957
Amount due to a director	20	1,058	—	—
Tax payable		8,022	12,254	8,107
Bank borrowings	25	11,316	7,600	10,027
Obligation under finance lease	26	<u>201</u>	<u>207</u>	<u>178</u>
		<u>65,835</u>	<u>82,725</u>	<u>80,708</u>
Net current assets		<u>65,041</u>	<u>84,258</u>	<u>79,133</u>
Total assets less current liabilities		<u>68,475</u>	<u>86,020</u>	<u>82,947</u>

		As at 31 December		
	<i>Notes</i>	2014	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liability				
Obligation under finance lease	26	<u>385</u>	<u>178</u>	<u>—</u>
Net assets		<u>68,090</u>	<u>85,842</u>	<u>82,947</u>
CAPITAL AND RESERVES				
Share capital	27	1,010	10	—
Reserves	28	<u>66,181</u>	<u>84,653</u>	<u>82,947</u>
Equity attributable to owners of the Company		67,191	84,663	82,947
Non-controlling interests	29	<u>899</u>	<u>1,179</u>	<u>—</u>
Total equity		<u>68,090</u>	<u>85,842</u>	<u>82,947</u>

Statement of Financial Position

	<i>Notes</i>	As at 31 December 2016 HK\$'000
ASSETS AND LIABILITIES		
Current assets		
Prepayments		<u>680</u>
Current liabilities		
Accruals and other payables		3,570
Amount due to a subsidiary	35(e)	<u>4,549</u>
		<u>8,119</u>
Net current liabilities/Net liabilities		<u><u>(7,439)</u></u>
CAPITAL AND RESERVES		
Share capital	27	—
Accumulated loss	28	<u>(7,439)</u>
Capital deficiency		<u><u>(7,439)</u></u>

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company							
	Share capital	Merger reserve*	Available-for-sale investments reserve*	Translation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	1,010	(2)	178	—	35,393	36,579	416	36,995
Profit for the year	—	—	—	—	30,753	30,753	512	31,265
Other comprehensive income for the year:								
- Change in fair value of available-for-sale investments	—	—	(74)	—	—	(74)	—	(74)
- Reclassification on impairment of available-for-sale investments	—	—	66	—	—	66	—	66
- Release upon disposal of available-for-sale investments	—	—	(133)	—	—	(133)	—	(133)
Total comprehensive income for the year	—	—	(141)	—	30,753	30,612	512	31,124
Dividend paid by subsidiary attributable to non-controlling interest (note 13)	—	—	—	—	—	—	(29)	(29)
At 31 December 2014 and 1 January 2015	1,010	(2)	37	—	66,146	67,191	899	68,090
Profit for the year	—	—	—	—	46,168	46,168	324	46,492
Other comprehensive income for the year:								
- Release upon disposal of available-for-sale investments	—	—	(37)	—	—	(37)	—	(37)
Total comprehensive income for the year	—	—	(37)	—	46,168	46,131	324	46,455

Equity attributable to owners of the Company								
	Share capital	Merger reserve*	Available-for-sale investments reserve*	Translation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(note 28)						
Acquisition of non-controlling interest (note 29)	—	—	—	—	(99)	(99)	96	(3)
Arising from Reorganisation	(1,000)	1,000	—	—	—	—	—	—
Dividends declared (note 13)	—	—	—	—	(28,560)	(28,560)	(140)	(28,700)
At 31 December 2015 and 1 January 2016	10	998	—	—	83,655	84,663	1,179	85,842
Profit for the year	—	—	—	—	50,052	50,052	25	50,077
Other comprehensive income for the year:								
- Exchange difference arising from translation of foreign operation	—	—	—	(72)	—	(72)	—	(72)
Total comprehensive income for the year	—	—	—	(72)	50,052	49,980	25	50,005
Acquisition of non-controlling interest (note 29)	—	1,400	—	—	(196)	1,204	(1,204)	—
Arising from Reorganisation	(10)	10	—	—	—	—	—	—
Deemed distribution to a controlling shareholder (note 29)	—	(7,000)	—	—	—	(7,000)	—	(7,000)
Dividend declared (note 13)	—	—	—	—	(45,900)	(45,900)	—	(45,900)
At 31 December 2016	—	(4,592)	—	(72)	87,611	82,947	—	82,947

* The total of these equity accounts as at 31 December 2014, 2015 and 2016 represent “reserves” in the respective combined statements of financial position.

Combined Statements of Cash Flows

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities			
Profit before income tax	37,339	55,863	61,901
Adjustments for:			
Depreciation of property, plant and equipment	519	535	1,563
Bank interest income	(111)	(74)	(7)
Interest income from held-to-maturity investments	(237)	(470)	—
Impairment of available-for-sale investments	66	—	—
(Gain)/Loss on disposal of investments	(180)	63	—
Dividend income from investments	(63)	(69)	—
Write-off of property, plant and equipment	11	—	6
(Gain)/Loss on disposal of property, plant and equipment	—	(20)	16
Interest expenses	324	466	559
	<u>37,668</u>	<u>56,294</u>	<u>64,038</u>
Operating profit before working capital changes	37,668	56,294	64,038
(Increase)/Decrease in inventories	(877)	(115)	172
(Increase)/Decrease in amounts due from customers of contract works	(7,641)	22,956	4,999
(Increase)/Decrease in trade and other receivables	(4,499)	4,321	(55,286)
Decrease in amount due from a related company	40	—	—
(Decrease)/Increase in trade and other payables	(4,029)	14,447	(5,856)
Increase in amounts due to customers of contract works	1,160	2,979	5,512
Change in balance with a director	(8,467)	(280)	7,646
	<u>13,355</u>	<u>100,602</u>	<u>21,225</u>
Cash generated from operations	13,355	100,602	21,225
Income tax paid	(772)	(5,139)	(15,971)
	<u>12,583</u>	<u>95,463</u>	<u>5,254</u>
Net cash generated from operating activities	12,583	95,463	5,254

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash flows from investing activities			
Interest received	111	74	7
Dividend income from investments	63	69	—
Decrease in time deposits with original maturity over three months	6,250	—	—
(Increase)/Decrease in pledged bank deposits	(5,050)	4,512	(17,006)
Acquisition of available-for-sale investments	(47)	(530)	—
Acquisition of held-to-maturity investments	—	(8,441)	—
Proceeds from redemption of held-to-maturity investments	2,361	2,850	—
Sales proceeds from disposal of available-for-sale investments	423	2,725	—
Interest received from held-to-maturity investments	237	470	—
Acquisition of property, plant and equipment	(576)	(279)	(3,203)
Prepayment for acquisition of property, plant and equipment	—	(922)	(436)
Sales proceeds from disposal of property, plant and equipment	—	80	2
Net cash generated from/(used in) investing activities	<u>3,772</u>	<u>608</u>	<u>(20,636)</u>
Cash flows from financing activities			
Proceeds from bank borrowings	11,316	24,430	39,782
Interest paid on bank borrowings	(307)	(452)	(551)
Repayment of bank borrowings	(8,012)	(28,146)	(37,355)
Dividends paid	(29)	(28,700)	(45,900)
Acquisition of non-controlling interest	—	(3)	—
Repayment of obligations under finance lease	(251)	(215)	(215)
Deemed distribution to a controlling shareholder	—	—	(7,000)
Net cash generated from/(used in) financing activities	<u>2,717</u>	<u>(33,086)</u>	<u>(51,239)</u>
Increase/(Decrease) in cash and cash equivalents	19,072	62,985	(66,621)
Cash and cash equivalents at the beginning of year	<u>33,046</u>	<u>52,118</u>	<u>115,103</u>
Cash and cash equivalents at the end of year	<u><u>52,118</u></u>	<u><u>115,103</u></u>	<u><u>48,482</u></u>

II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 29 November 2016. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Units 1709-14, 17th Floor, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong (the “Business”).

2. REORGANISATION AND BASIS OF PRESENTATION

Prior to the incorporation of the Company and the completion of the Reorganisation, the Business was carried on by certain companies now comprising the Group (hereinafter collectively referred to as the “Operating Companies”).

Pursuant to the Reorganisation conducted by the companies now comprising the Group to prepare for the listing (the “Listing”) of the Company’s shares on the Stock Exchange, the Company has since 12 May 2017 become the holding company of its subsidiaries now comprising the Group by way of share swap with the existing ultimate controlling shareholders (i.e. Mr. Lee Chi Hung (“Mr. Lee”) and Mr. Leung Ping Kwan (“Mr. Leung”). The principal steps under the Reorganisation are described below:

- (a) Join Forward was incorporated in the BVI on 3 November 2015 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 4 December 2015, one subscriber share was allotted and issued to each of Mr. Lee and Ms. Ku Nga Ping, the spouse of Mr. Leung (“Ms. Ku”) and credited as fully paid at par. Pursuant to a confirmatory deed, Ms. Ku held 50% of the issued shares of Join Forward in trust for and on behalf of Mr. Leung.
- (b) On 24 December 2015, Join Forward acquired (i) 500,000 shares of G & M Engineering from Mr. Lee and in consideration, Join Forward allotted and issued one share, credited as fully paid at par, to Mr. Lee; and (ii) 500,000 shares of G & M Engineering from Ms. Ku and in consideration, Join Forward allotted and issued one share, credited as fully paid at par, to Ms. Ku. Pursuant to a confirmatory deed, Ms. Ku held 50% of the issued shares of G & M Engineering in trust for and on behalf of Mr. Leung and the transfer by Ms. Ku was under the direction of Mr. Leung. Upon completion of the above acquisitions, G & M Engineering becomes a wholly-owned subsidiary of Join Forward.
- (c) On 24 December 2015, G & M Engineering acquired 25% of the issued shares of G & M Contracting from the non-controlling shareholder at the consideration of HK\$2,500.

- (d) On 31 December 2015, Ms. Ku (at the direction of Mr. Leung) transferred one share (representing 25% of the issued shares) of Join Forward to Mr. Lee at the consideration of HK\$40,000,000.
- (e) On 27 January 2016, G & M Design was incorporated in the PRC as a wholly foreign-owned enterprise with a registered capital of HK\$1,000,000, which was contributed fully by G & M Engineering.
- (f) On 1 February 2016, Mr. Lee acquired 2,000 shares of G & M Maintenance (representing 20% of the issued shares) from Mr. Chan Wai Yin, the non-controlling shareholder and director of the Company, at the consideration of HK\$1,400,000. Upon the acquisition, Mr. Lee became the sole shareholder of G & M Maintenance.
- (g) On 26 April 2016, Join Forward acquired 10,000 shares of G & M Maintenance (representing 100% of the issued shares) from Mr. Lee at the consideration of HK\$7,000,000. Upon the acquisition, G & M Maintenance became a wholly-owned subsidiary of Join Forward.
- (h) Luxury Booming Limited (“Luxury Booming”) was incorporated in the BVI on 3 November 2015 and was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 each. On 4 December 2015, one subscriber share was allotted and issued as fully paid to Mr. Lee.
- (i) The Company was incorporated in the Cayman Islands on 29 November 2016. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Luxury Booming on the same date.
- (j) On 9 January 2017, Ms. Ku, at the direction of Mr. Leung, transferred one share of Join Forward back to Mr. Leung at par.
- (k) On 9 January 2017, Luxury Booming allotted and issued as fully paid two shares to Mr. Lee and one share to Mr. Leung.
- (l) On 12 May 2017, Mr. Lee and Mr. Leung entered into a reorganisation agreement (the “Reorganisation Agreement”) and pursuant to which the Company acquired the entire issued share capital of Join Forward from Mr. Lee and Mr. Leung and in consideration, at the direction of Mr. Lee and Mr. Leung, the Company allotted and issued as fully paid three shares to Luxury Booming, and the Company credited the one nil paid share held by Luxury Booming referred to in step (i) above as fully paid. Upon completion of the acquisition, Join Forward became a wholly-owned subsidiary of the Company.

Upon completion of the aforementioned steps of the Reorganisation, the issued share capital of the Company was wholly owned by Luxury Booming, whereas the issued share capital of Luxury Booming was held as to (i) 75% by Mr. Lee; and (ii) 25% by Mr. Leung.

Immediately prior to and after the Reorganisation, the Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Business are transferred to and held by the Company.

Pursuant to the Reorganisation, (i) G & M Engineering and its subsidiaries (i.e. G & M Contracting and G & M Design); and (ii) G & M Maintenance are restructured so that after the restructuring, Join Forward became the immediate holding company of both G & M Engineering and G & M Maintenance. A mutual understanding and arrangement (the "Arrangement") has existed among Mr. Lee and Mr. Leung and pursuant to the Arrangement, G & M Engineering and G & M Maintenance are managed by Mr. Lee and Mr. Leung on collective basis and Mr. Lee and Mr. Leung are parties acting in concert with each other in making decisions over the Business. By virtue of the Arrangement, G & M Engineering and G & M Maintenance are under the collective control of Mr. Lee and Mr. Leung. Despite Mr. Leung had no legal ownership in G & M Maintenance before establishing Join Forward to acquire G & M Engineering and G & M Maintenance, the Arrangement had existed among Mr. Lee and Mr. Leung, which has enabled them to have the ability to direct the relevant activities of G & M Maintenance and to benefit from their involvement in G & M Maintenance. Other than through the Arrangement, Mr. Leung was able to control G & M Maintenance through G & M Engineering. The purpose and design of G & M Maintenance is to support G & M Engineering in providing repair and maintenance services for podium facade and curtain wall works to customers and G & M Maintenance is in substance an extension of G & M Engineering. A majority of G & M Maintenance's revenue was sourced from G & M Engineering during the Relevant Periods and the fees charged by G & M Maintenance to G & M Engineering were determined by Mr. Lee and Mr. Leung collectively. In addition, the daily operation and management of G & M Maintenance have been conducted by key management personnel of G & M Engineering, Mr. Chan. The setup of G & M Maintenance allows room for G & M Engineering to take up more sizeable or profitable contracts. At the same time, Mr. Lee and Mr. Leung are able to control G & M Maintenance in a way to maximise their return to G & M Engineering. As both G & M Engineering and G & M Maintenance have been under the control of Mr. Lee and Mr. Leung, the combination of G & M Engineering and G & M Maintenance is accounted for as business combination under common control and the Group has adopted merger basis of accounting under Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA for the combination of G & M Engineering and G & M Maintenance.

Pursuant to the Reorganisation Agreement, the Company acquired the entire issued share capital of Join Forward from Mr. Lee and Mr. Leung by way of issuing shares to Luxury Booming which is owned by Mr. Lee and Mr. Leung (the "Share Swap"). The Share Swap has no business substance and do not form a business combination and accordingly, the Financial Information of the Company was combined with that of the operating subsidiaries using the predecessor carrying amounts as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods by adopting merger basis of accounting.

Under merger basis of accounting, the combined statements of comprehensive income and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 December 2014, 2015 and

2016 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates. The assets and liabilities of the companies now comprising the Group are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies set out below, which conform to HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Main Board Listing Rules (the "Listing Rules").

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and became effective during the Relevant Periods. In preparing this Financial Information, the Group has early adopted all new or revised HKFRSs effective for annual period beginning on or after 1 January 2016 consistently throughout the Relevant Periods.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not yet effective and have not been adopted early by the Group. Details of which are set out in note 4.

The Financial Information have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The Financial Information are presented in HK\$, which is same as the functional currency of the Company and its major subsidiaries.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

(b) Basis of combination

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. As explained in note 2 above, the Reorganisation is accounted for using merger basis of accounting.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture and fixtures	5 years
Office equipment	5 years
Plant and machinery	5 years
Motor vehicles	3 years
Leasehold improvement	Over the shorter of 2 years or the remaining lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 3(n)).

The gain or loss on disposal of an item of plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss.

(e) Leasing

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.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values 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 arrangement 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.

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Financial instruments

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable

to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Available-for-sale investments

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments 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.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors) and also incorporated other types of contractual and monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
or
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of loans and receivables is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realised or has been transferred to the Group.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For held-to-maturity investments

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For available-for-sale investments

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(iii) *Financial liabilities*

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

The Group classifies its financial liabilities as financial liabilities at amortised costs, which include trade and other payables, amount due to a director, bank borrowings and obligation under finance lease, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) *Recognition of revenue and other income*

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

- (i) When the outcome of construction contracts can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period (note 3(h));

- (ii) Maintenance service income is recognised when services are provided;
- (iii) Dividend income from investments is recognised when the shareholders' right to receive payment have been established;
- (iv) Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

(h) **Construction contracts**

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred. Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

Amounts due from customers of contract works represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract works represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials, project staff costs and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract works provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the combined statements of financial position under "Trade and other receivables".

Retention monies, representing amounts of progress billings which are payable to subcontractors or receivables from customers when conditions specified in the contracts undertaken are satisfied, are included in the combined statements of financial position under "Trade and other payables" and "Trade and other receivables" respectively.

(i) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

(j) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of preparing the Financial Information, income and expense items of foreign operations are translated into the functional currency of the Company (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(m) **Employee benefits**

(i) *Short-term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

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 end of the reporting period.

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

(ii) *Defined contribution retirement plan*

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income.

Contributions are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) ***Termination benefits***

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) **Impairment of non-financial assets**

Property, plant and equipment and prepayment for acquisition of property, plant and equipment are subject to impairment testing. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of 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 recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit'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. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(o) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which required a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investment of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Segment reporting

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

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (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) Both entities 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 the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (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 Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The following new and revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Financial Information.

Amendments to HKAS 7	Disclosure Initiatives ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRSs (Amendments)	Annual improvements 2014-2016 Cycle ⁵
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

- 2 Effective for annual periods beginning on or after 1 January 2018
- 3 Effective for annual periods beginning on or after 1 January 2019
- 4 To be determined
- 5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The directors of the Company 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. The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. Further information about those HKFRSs that are expected to be applicable to the Group is set out below.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company do not expect the adoption of HKFRS 9 would result in significant impact on the amounts reported on the Group's Financial Information.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far 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.

Under HKFRS 15, revenue is either recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progress, broadly similar to the method under HKAS 11.

However, revenue recognition will be significantly delayed if it cannot be established that performance obligations are satisfied over time. In addition, contract modifications will be required to be approved before revenue is recognised. This new requirement may result in revenue from contract modification to be recognised later than it would have been under HKAS 11.

The directors do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

The new standard specifies how an entity to recognise, measure, present and disclose leases.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 "Property, plant and equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17.

As set out in note 30, total operating lease commitment of the Group in respect of leased premises and car parks as at 31 December 2016 amounted to HK\$3,796,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16.

Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES
UNCERTAINTY**

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies**(i) *Held-to-maturity investments***

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity. Directors exercise judgment based on the Group's treasury objective and financial risk management policy to determine whether the financial assets are to be classified as held-to-maturity.

(ii) *Impairment of available-for-sale investments*

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) *Percentage of completion of construction contract*

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, management reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgment by the management. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts when those construction contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised in the financial statements.

(ii) *Estimation of total budgeted costs and cost to completion for construction contracts*

Total budgeted costs for construction contracts comprise (i) direct material costs and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction

overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on material costs, project staff costs and other costs.

(iii) *Warranty provision*

The Group provides warranty to customers for a period up to 15 years for the contracts completed by the Group. The Group undertakes to rectify the defects within the warranty period. The warranty provision has been recognised for expected costs to rectify the defects based on past experience of warranty claims by customers. Management will review the sufficiency of provision and make adjustments, if appropriate, at the end of each reporting period.

(iv) *Impairment of receivables*

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables (including amounts due from a director) and on the specific circumstances for each account. Judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

(v) *Estimation of current and deferred tax*

The Group is subjected to Hong Kong taxation. Significant judgement is required in determining the amount of the provision for taxation. The Group recognised income tax based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expenses in the period in which the tax calculations are finalised with the tax authority.

(vi) *Fair value measurement*

Certain of the Group's financial assets require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1:	Quoted prices in active markets for identical items (unadjusted);
Level 2:	Observable direct or indirect inputs other than Level 1 inputs;
Level 3:	Unobservable inputs (i.e. not derived from market data).

The Group measures the available-for-sale investments at fair value. For more detailed information in relation to the measurement of these financial instruments, please refer to note 37.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-marker, i.e. directors of the Company who are used to make strategic decisions.

During the Relevant Periods, the directors assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. Therefore the Group has only one operating segment that qualifies as reporting segment under HKFRS 8. The Group operates in Hong Kong and the PRC. All of the Group's revenue are derived from Hong Kong, and more than 90% of the Group's non-current assets are located in Hong Kong. Accordingly, no separate segmental analysis is presented.

(b) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Customer I	79,293	187,630	177,277
Customer II	36,859	N/A*	N/A*
Customer III	— [#]	N/A*	67,836

* The corresponding revenue does not contribute over 10% of the Group's revenue in the respective year.

[#] No revenue contributes to the Group in the respective year.

7. REVENUE

The Group is principally engaged in the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. Revenue derived from the principal activity comprises the following:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Design and build projects			
- Podium facade and related works	121,332	195,998	242,306
- Curtain wall works	<u>16,252</u>	<u>13,998</u>	<u>24,749</u>
	137,584	209,996	267,055
Repair and maintenance services	<u>13,720</u>	<u>8,824</u>	<u>6,857</u>
	<u>151,304</u>	<u>218,820</u>	<u>273,912</u>

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	111	74	7
Dividend income from investments	63	69	—
Interest income from held-to-maturity investments	237	470	—
Gain/(Loss) on disposal of investments	180	(63)	—
Impairment of available-for-sale investments	(66)	—	—
Gain/(Loss) on disposal of property, plant and equipment	—	20	(16)
Others	<u>19</u>	<u>18</u>	<u>26</u>
	<u>544</u>	<u>588</u>	<u>17</u>

9. FINANCE COSTS

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	307	452	551
Interest element of finance lease payments	<u>17</u>	<u>14</u>	<u>8</u>
	<u>324</u>	<u>466</u>	<u>559</u>

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration	58	312	300
Depreciation of property, plant and equipment*	519	535	1,563
Write-off of property, plant and equipment	11	—	6
Warranty expenses#	821	137	222
Employee benefit expenses (including directors' emoluments (note 12(a))			
- Salaries, allowances and other benefits	21,448	23,698	35,255
- Contributions to defined contribution retirement plan	<u>617</u>	<u>654</u>	<u>735</u>
	<u>22,065</u>	<u>24,352</u>	<u>35,990</u>
Exchange losses, net	1	283	106
Operating lease charges in respect of land and buildings	<u>685</u>	<u>830</u>	<u>1,807</u>

* Included in administrative and other operating expenses

Included in cost of revenue

11. INCOME TAX EXPENSE

The amounts of income tax expense in the combined statements of comprehensive income represent:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current tax			
- Hong Kong	6,074	9,371	11,696
- Under-provision in respect of prior years	—	—	128
- Tax for the year	<u>6,074</u>	<u>9,371</u>	<u>11,824</u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is accordingly not subject to income tax in the Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% on the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

The income tax expense for the year can be reconciled to the profit before income tax per the combined statements of comprehensive income as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	<u>37,339</u>	<u>55,863</u>	<u>61,901</u>
Tax calculated at Hong Kong Profits Tax rate of 16.5%	6,161	9,217	10,214
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	—	(53)
Tax effect of revenue not taxable for tax purposes	(11)	(12)	(1)
Tax effect of expenses not deductible for tax purposes	13	218	1,348
Tax effect of temporary differences not recognised	(29)	(12)	188
Under-provision in respect of prior years	—	—	128
Others	<u>(60)</u>	<u>(40)</u>	<u>—</u>
Income tax expense	<u>6,074</u>	<u>9,371</u>	<u>11,824</u>

No deferred tax has been provided in the Financial Information as there were no material temporary differences as at 31 December 2014, 2015 and 2016.

12. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors for the Relevant Periods are set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended					
31 December 2014					
<i>Executive directors</i>					
Mr. Lee	—	485	—	16	501
Mr. Chan Wai Yin	—	546	210	17	773
<i>Non-executive director</i>					
Mr. Leung	—	—	—	—	—
	<u>—</u>	<u>1,031</u>	<u>210</u>	<u>33</u>	<u>1,274</u>
Year ended					
31 December 2015					
<i>Executive directors</i>					
Mr. Lee	—	519	—	18	537
Mr. Chan Wai Yin	—	568	131	18	717
<i>Non-executive director</i>					
Mr. Leung	—	—	—	—	—
	<u>—</u>	<u>1,087</u>	<u>131</u>	<u>36</u>	<u>1,254</u>

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended					
31 December 2016					
<i>Executive directors</i>					
Mr. Lee	—	2,145	1,320	18	3,483
Mr. Chan Wai Yin	—	598	186	18	802
<i>Non-executive director</i>					
Mr. Leung	—	540	—	14	554
	—	3,283	1,506	50	4,839

No emoluments were paid or payable to the independent non-executive directors during the Relevant Periods.

(b) **Five highest paid individuals**

The emoluments payable to the 5 highest paid individuals are non-directors for the years ended 31 December 2014 and 2015. The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 included 1 director whose emoluments are reflected in the analysis presented above. The emoluments payable to the 5 highest paid individuals for the years ended 31 December 2014 and 2015 and the remaining 4 highest paid individuals for the year ended 31 December 2016 are as follows:

	Year ended 31 December		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Salaries, allowances and other benefits	3,383	3,329	2,942
Discretionary bonuses	1,224	1,636	1,522
Contributions to defined contribution retirement plan	84	90	72
	<u>4,691</u>	<u>5,055</u>	<u>4,536</u>

The emoluments were within the following bands:

	Year ended 31 December		
	2014	2015	2016
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
Nil to HK\$1,000,000	3	3	—
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>	<u>4</u>

- (c) During the Relevant Periods, no emoluments were paid by the Group to the directors or the 5 highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

(d) **Senior management's emoluments**

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	Year ended 31 December		
	2014	2015	2016
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
Nil to HK\$1,000,000	3	3	2
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>1</u>	<u>2</u>

13. DIVIDENDS

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividends attributable to			
- Owners of the Company	—	28,560	45,900
- Non-controlling interests	<u>29</u>	<u>140</u>	<u>—</u>
	<u>29</u>	<u>28,700</u>	<u>45,900</u>

No dividend has been paid or declared by the Company since its incorporation. For the purpose of this Financial Information, the interim dividends for the years ended 31 December 2015 and 2016 amounting to HK\$28,700,000 and HK\$45,900,000 respectively represented interim dividends declared by the subsidiaries to their then shareholders.

For the year ended 31 December 2014, the director of a subsidiary declared interim dividend amounting to HK\$117,000, of which HK\$88,000 was attributable to another subsidiary whereas HK\$29,000 was attributable to the non-controlling interest.

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

14. EARNINGS PER SHARE

The calculations of earnings per share for the Relevant Periods are based on the profit attributable to owners of the Company for the years ended 31 December 2014, 2015 and 2016 of HK\$30,753,000, HK\$46,168,000 and HK\$50,052,000 respectively and on the basis of 750,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of the Capitalisation Issue as further described in note 39(c), as if these shares had been issued throughout the Relevant Periods.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
As at 1 January 2014	646	2,064	745	27	139	3,621
Additions	26	403	967	—	—	1,396
Written off	(5)	(99)	(340)	—	—	(444)
As at 31 December 2014 and 1 January 2015	667	2,368	1,372	27	139	4,573
Additions	2	277	—	—	—	279
Disposal	—	—	(149)	—	—	(149)
As at 31 December 2015 and 1 January 2016	669	2,645	1,223	27	139	4,703
Additions	5	510	600	334	2,676	4,125
Written off	—	(979)	—	—	(139)	(1,118)
Disposal	(644)	—	—	—	—	(644)
As at 31 December 2016	<u>30</u>	<u>2,176</u>	<u>1,823</u>	<u>361</u>	<u>2,676</u>	<u>7,066</u>
Accumulated depreciation						
As at 1 January 2014	628	1,792	745	27	139	3,331
Depreciation	18	211	290	—	—	519
Written off	(5)	(88)	(340)	—	—	(433)
As at 31 December 2014 and 1 January 2015	641	1,915	695	27	139	3,417
Depreciation	7	238	290	—	—	535
Disposal	—	—	(89)	—	—	(89)
As at 31 December 2015 and 1 January 2016	648	2,153	896	27	139	3,863
Depreciation	4	202	425	29	903	1,563
Written off	—	(973)	—	—	(139)	(1,112)
Disposal	(626)	—	—	—	—	(626)
As at 31 December 2016	<u>26</u>	<u>1,382</u>	<u>1,321</u>	<u>56</u>	<u>903</u>	<u>3,688</u>
Net carrying amount						
As at 31 December 2014	<u>26</u>	<u>453</u>	<u>677</u>	<u>—</u>	<u>—</u>	<u>1,156</u>
As at 31 December 2015	<u>21</u>	<u>492</u>	<u>327</u>	<u>—</u>	<u>—</u>	<u>840</u>
As at 31 December 2016	<u>4</u>	<u>794</u>	<u>502</u>	<u>305</u>	<u>1,773</u>	<u>3,378</u>

Note: The net carrying amounts of motor vehicle held under finance lease as at 31 December 2014, 2015 and 2016 amounted to HK\$572,000, HK\$327,000 and HK\$82,000 respectively.

16. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
At fair value:			
Equity securities, listed in Hong Kong	1,517	—	—
Investment funds	<u>761</u>	<u>—</u>	<u>—</u>
	<u>2,278</u>	<u>—</u>	<u>—</u>

The available-for-sale investments were disposed of during the year ended 31 December 2015.

17. INVENTORIES

	As at 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Raw materials and consumables	<u>1,033</u>	<u>1,148</u>	<u>976</u>

18. AMOUNTS DUE FROM/(TO) CUSTOMERS OF CONTRACT WORKS

	As at 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Contract costs incurred to date plus recognised profits less recognised losses (note)	646,071	785,781	728,874
Less: Progress billings to date	<u>(619,109)</u>	<u>(784,754)</u>	<u>(738,358)</u>
	<u>26,962</u>	<u>1,027</u>	<u>(9,484)</u>
Amounts due from customers of contract works	42,910	19,954	14,955
Amounts due to customers of contract works	<u>(15,948)</u>	<u>(18,927)</u>	<u>(24,439)</u>
	<u>26,962</u>	<u>1,027</u>	<u>(9,484)</u>

Note: Included in the balances were warranty provision made for design and build projects amounting to HK\$3,771,000, HK\$3,406,000 and HK\$2,375,000 as at 31 December 2014, 2015 and 2016 respectively.

All amounts due from/(to) customers of contract works are expected to be recovered/settled within one year.

19. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	11,524	8,895	30,220
Retention receivables	10,324	6,331	9,737
Deposits, prepayments and other receivables	<u>1,400</u>	<u>3,701</u>	<u>34,260</u>
	<u>23,248</u>	<u>18,927</u>	<u>74,217</u>

Notes:

- (a) The credit period granted to trade debtors ranged from 20 to 60 days.

Included in trade receivables was a balance due from a related company amounting to HK\$28,000 as at 31 December 2014 which arose from the trading transaction. The balance was unsecured, interest free and due for settlement within 30 days from invoice date.

The ageing analysis of the trade receivables (net), based on invoice date, as of the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 — 30 days	8,022	6,435	28,189
31 — 60 days	370	73	485
61 — 90 days	308	284	35
Over 90 days but less than 1 year	1,751	541	268
Over 1 year	<u>1,073</u>	<u>1,562</u>	<u>1,243</u>
	<u>11,524</u>	<u>8,895</u>	<u>30,220</u>

The ageing analysis of the trade receivables (net), based on due date, as of the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	8,342	6,592	28,165
Past due but not impaired			
Past due less than 30 days	50	200	304
Past due for 30 or more but less than 60 days	309	8	240
Past due for 60 or more but less than 90 days	1,145	100	24
Past due for 90 days but less than 1 year	805	433	491
Past due for 1 year or more	873	1,562	996
	<u>3,182</u>	<u>2,303</u>	<u>2,055</u>
	<u>11,524</u>	<u>8,895</u>	<u>30,220</u>

Trade receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

- (b) As at 31 December 2014, 2015 and 2016, based on due date, the Group's retention receivables of HK\$6,539,000, HK\$3,466,000 and HK\$7,035,000 respectively were not yet past due and the remaining balance of HK\$3,785,000, HK\$2,865,000 and HK\$2,702,000 respectively were past due, of which HK\$514,000, HK\$332,000 and HK\$1,670,000 were past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting periods as those balances are due from customers with long business relationship and there has not been a significant change in their credit quality.

20. AMOUNT DUE FROM/(TO) A DIRECTOR

The amount due from/(to) a director is as follows:

Name	As at	As at	Maximum
	1 January	31 December	outstanding
	2015	2015	balance during
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Lee	<u>(1,058)</u>	<u>7,646</u>	<u>8,356</u>

Name	As at 1 January 2016 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>	Maximum outstanding balance during the year <i>HK\$'000</i>
Mr. Lee	<u>7,646</u>	<u>—</u>	<u>8,876</u>

Note:

The amount due is non-trade in nature, unsecured, interest free and repayable on demand.

21. HELD-TO-MATURITY INVESTMENTS

	As at 31 December		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Debt securities, listed in Hong Kong	<u>2,850</u>	<u>—</u>	<u>—</u>

The debt securities were redeemed by the issuer on maturity in February 2015 and classified under current assets as at 31 December 2014 accordingly.

22. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 December 2014, 2015 and 2016 are interest-bearing at fixed rates ranged from 0.1% to 2.7% per annum, 0.01% to 0.2% per annum and 0.01% to 0.2% per annum respectively and have maturity period of fifteen days to three months, four days to three months and three days to three months respectively. Among the pledged bank deposits as at 31 December 2014, HK\$7,713,000 was denominated in Renminbi (“RMB”) while the remaining balances were denominated in HK\$.

Pledged bank deposits were placed in banks to secure the bank borrowings and banking facilities of the Group (note 25).

23. CASH AND BANK BALANCES

Cash at banks earns interest at floating rate based on daily bank deposits rates.

24. TRADE AND OTHER PAYABLES

	As at 31 December		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Trade payables	22,126	33,675	21,329
Retention payables	1,924	3,643	7,369
Accruals and other payables	5,240	6,419	6,252
Receipt in advance	—	—	3,007
	<u>29,290</u>	<u>43,737</u>	<u>37,957</u>

Notes:

- (a) The credit period granted by the suppliers and subcontractors is normally 0 to 60 days.
- (b) The ageing analysis of the trade payables (net), based on invoice date, as of the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
0 — 30 days	8,023	15,071	10,732
31 — 60 days	3,429	9,397	2,937
61 — 90 days	533	2,281	1,012
Over 90 days	<u>10,141</u>	<u>6,926</u>	<u>6,648</u>
	<u>22,126</u>	<u>33,675</u>	<u>21,329</u>

- (c) As at 31 December 2014, 2015 and 2016, retention payables of HK\$1,667,000, HK\$3,337,000 and HK\$5,635,000 respectively were aged one year or below and the remaining balance of approximately HK\$257,000, HK\$306,000 and HK\$1,734,000 respectively were aged over one year.

25. BANK BORROWINGS

	As at 31 December		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Bank borrowings repayable within one year	<u>11,316</u>	<u>7,600</u>	<u>10,027</u>

Notes:

- (a) The bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2014, 2015 and 2016 granted under banking facilities ranged from 5.25% to 5.50%, 5.25% to 5.50% and 5.25%, respectively per annum.
- (b) The banking facilities as at 31 December 2014, 2015 and 2016 in total of HK\$64,750,000, HK\$65,750,000 and HK\$80,425,000 respectively were granted to the Group and secured/guaranteed by the following:
- Bank deposits as described in note 22;
 - Personal guarantees from Mr. Lee, director and shareholder of the Company and Ms. Ku;
 - Legal charge over (i) a property owned by Mr. Lee, director and shareholder of the Company, and his spouse as at 31 December 2014; and (ii) a property owned by Mr. Lee, director and shareholder of the Company, as at 31 December 2015 and 2016;
 - Legal charge over a property owned by Mr. Leung, director and shareholder of the Company, and Ms. Ku as at 31 December 2014, 2015 and 2016; and
 - Legal charge over a property owned by a related company, in which the spouse of Mr. Lee, director and shareholder of the Company and Mr. Leung, director and shareholder of the Company have equity interests as at 31 December 2014, 2015 and 2016.

The abovementioned personal guarantees and the legal charge over the properties existed at the date of this report will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the Listing.

- (c) The Group had utilised the banking facilities in respect of:
- Bank borrowings of HK\$11,316,000, HK\$7,600,000 and HK\$10,027,000 as at 31 December 2014, 2015 and 2016 respectively; and
 - As at 31 December 2014, 2015 and 2016, surety bonds issued by a bank in favour of the customers of certain construction contracts amounted to HK\$10,905,000, HK\$7,954,000 and HK\$27,768,000 respectively and the respective construction contracts are completed or expected to be completed in year 2016, year 2016 and year 2017 to 2018 respectively.

26. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle and the lease is classified as finance lease. The lease obligation is secured by the leased asset (note 15).

Future lease payments are due as follows:

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
As at 31 December 2014			
Not later than one year	215	(14)	201
Later than one year and not later than five years	<u>395</u>	<u>(10)</u>	<u>385</u>
	<u><u>610</u></u>	<u><u>(24)</u></u>	<u><u>586</u></u>
As at 31 December 2015			
Not later than one year	215	(8)	207
Later than one year and not later than five years	<u>180</u>	<u>(2)</u>	<u>178</u>
	<u><u>395</u></u>	<u><u>(10)</u></u>	<u><u>385</u></u>
As at 31 December 2016			
Not later than one year	<u><u>180</u></u>	<u><u>(2)</u></u>	<u><u>178</u></u>

The present value of future lease payments is analysed as:

	As at 31 December		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current liabilities	201	207	178
Non-current liabilities	<u>385</u>	<u>178</u>	<u>—</u>
	<u><u>586</u></u>	<u><u>385</u></u>	<u><u>178</u></u>

Notes:

- (a) The Group's finance lease liability is subject to personal guarantee provided by Mr. Lee, director and shareholder of the Company.
- (b) The effective interest rate of the Group's finance lease liability as at 31 December 2014, 2015 and 2016 was 2.92%, 2.92% and 2.92% respectively per annum.

27. SHARE CAPITAL

The Company was incorporated on 29 November 2016 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Luxury Booming on 29 November 2016. On 12 May 2017, the Company allotted and issued three shares in aggregate to Luxury Booming which were credited as fully paid as consideration for the transfer of 100% shareholding interest in Join Forward to the Company.

For the purpose of this Financial Information, the share capital balance in the combined statement of financial position as at 31 December 2014 represented the issued share capital of G & M Engineering and G & M Maintenance as at that date whereas the share capital balance as at 31 December 2015 represented the issued share capital of Join Forward and G & M Maintenance. Share capital balance as at 31 December 2016 represented the issued capital of Join Forward and the Company.

28. RESERVES

Details of the movements of the Group's reserves for the Relevant Periods are presented in the combined statements of changes in equity.

Merger reserve was arising from combining the financial statements of the companies now comprising the Group.

Details of the movements of the Company's accumulated loss for the period from 29 November 2016 (date of incorporation) to 31 December 2016 are as follows:

	Accumulated loss <i>HK\$'000</i>
Loss for the period	<u>(7,439)</u>
As at 31 December 2016	<u><u>(7,439)</u></u>

29. NON-CONTROLLING INTERESTS

As at 31 December 2014, the Group held 75% equity interest of G & M Contracting and the carrying amount of non-controlling interest was HK\$20,000. In the opinion of the directors, the non-controlling interest of this subsidiary is not material to the Group. On 24 December 2015, the Group acquired 25% equity interest in G & M Contracting held by the non-controlling shareholder at the consideration of HK\$2,500 (note 2(c)). Upon completion of the acquisition, G & M Contracting became a wholly-owned subsidiary of G & M Engineering.

As at 31 December 2014 and 2015, the Group (through Mr. Lee, the controlling shareholder) held 80% equity interest of G & M Maintenance and the carrying amounts of non-controlling interest were HK\$879,000 and HK\$1,179,000 respectively. In the opinion of the directors, the non-controlling interest of this subsidiary is not material to the Group. On 1 February 2016, Mr. Lee acquired 20% equity interest in G & M Maintenance held by the non-controlling shareholder at the consideration of HK\$1,400,000. Upon completion of the acquisition, G & M Maintenance was wholly owned by Mr. Lee (note 2(f)).

Deemed distribution to a controlling shareholder represented the consideration of HK\$7,000,000 paid by the Group to Mr. Lee for transferring 100% equity interest in G & M Maintenance to the Group on 26 April 2016, as disclosed in note 2(g) above.

30. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises and car parks under operating lease arrangement. The leases run for an initial period of one to three years and are non-cancellable.

The total future minimum lease payments are due as follows:

	As at 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	207	576	1,989
Later than one year and not more than five years	<u>3</u>	<u>439</u>	<u>1,807</u>
	<u>210</u>	<u>1,015</u>	<u>3,796</u>

31. CAPITAL COMMITMENTS

At 31 December 2014, 2015 and 2016, the Group had the following capital commitments:

	As at 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Commitments for the acquisition of property, plant and equipment:			
- Contracted but not provided for	<u>—</u>	<u>—</u>	<u>1,074</u>

32. GUARANTEES

The Group provided guarantee in respect of the surety bonds in favour of the customers of certain construction contracts. Details of these guarantees as of the end of each Relevant Periods are as follows:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers (note 25(c))	<u>10,905</u>	<u>7,954</u>	<u>27,768</u>

As assessed by the directors, it is not probable that the bank would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made.

33. LITIGATIONS

During the Relevant Periods, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding at the end of each of the Relevant Periods. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the directors, sufficient insurance coverage is maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have material adverse impact on the financial position of the Group.

34. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

- (a) For the year ended 31 December 2014, the Group entered into finance lease arrangement in respect of acquisition of motor vehicle with an aggregate capital value at the inception of the lease of HK\$820,000.
- (b) For the year ended 31 December 2015, the Group disposed of investments in debt securities to Mr. Lee, director and shareholder of the Company, at a consideration of HK\$8,424,000 and the amount was debited to current account with Mr. Lee.

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this Financial Information, the Group had the following transactions with its related parties:

- (a) During the Relevant Periods, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Year ended 31 December		
			2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Kentan (HK) Company Limited (note i)	A director has equity interest	Purchase of materials	60	85	18
Kentan Co., Ltd. (note i)	A director has equity interest	Purchase of materials	—	—	20
Profit Bright Enterprises Limited (note ii)	A director and spouse of another director have equity interests	Rental expenses paid	480	580	300
Mr. Lee (note iii)	Director	Sale of held-to-maturity investments	—	8,424	—

Notes:

- (i) Mr. Lee, director and shareholder of the Company, has equity interest in Kentan (HK) Company Limited and Kentan Co., Ltd.
- (ii) The spouse of Mr. Lee, director and shareholder of the Company, and Mr. Leung, director and shareholder of the Company, have equity interest in Profit Bright Enterprises Limited.
- (iii) During the year ended 31 December 2015, the Group acquired new investments in debt securities at a consideration of HK\$8,441,000, which bear interest at a rate ranged from 8.7% to 8.75% per annum and to be redeemed by the issuers in 2017 and 2018. Those investments were disposed of in December 2015 to Mr. Lee, director and shareholder of the Company, at a consideration of HK\$8,424,000 which was determined with reference to their market price. A loss of HK\$17,000 arising from the disposal of investments was recognised and included in "Other income, gains and losses" in the combined statements of comprehensive income.

The transactions were conducted on the basis of mutually agreed terms.

- (b) As at 31 December 2014, 2015 and 2016, Mr. Lee and Mr. Leung, directors and shareholders of the Company, provide the following to secure the bank borrowings and banking facilities granted to the Group (note 25):
- (i) Personal guarantees from Mr. Lee, director and shareholder of the Company, and Ms. Ku;
 - (ii) Legal charge over (i) a property owned by Mr. Lee, director and shareholder of the Company, and his spouse as at 31 December 2014; and (ii) a property owned by Mr. Lee, director and shareholder of the Company, as at 31 December 2015 and 2016;
 - (iii) Legal charge over a property owned by Mr. Leung, director and shareholder of the Company, and Ms. Ku; and
 - (iv) Legal charge over a property owned by a related company, which is owned by the spouse of Mr. Lee, director and shareholder of the Company, and Mr. Leung, director and shareholder of the Company.

The abovementioned personal guarantees and the legal charge over the properties existed at the date of this report will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the Listing.

- (c) As at 31 December 2014, 2015 and 2016, the Group's finance lease arrangement is subject to the personal guarantee provided by Mr. Lee, director and shareholder of the Company.
- (d) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	3,746	4,171	8,606
Contributions to defined contribution retirement plan	83	95	121
	<u>3,829</u>	<u>4,266</u>	<u>8,727</u>

- (e) The amount due to a subsidiary is unsecured, interest free and repayable on demand.

36. CAPITAL MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debt to equity. Total debts include bank borrowings and obligation under finance lease. Equity represents total equity of the Group.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, and raise new debts or sell assets to reduce debt.

The gearing ratio as at 31 December 2014, 2015 and 2016 was as follows:

	As at 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings	11,316	7,600	10,027
Obligation under finance lease	<u>586</u>	<u>385</u>	<u>178</u>
	<u>11,902</u>	<u>7,985</u>	<u>10,205</u>
Total equity	<u>68,090</u>	<u>85,842</u>	<u>82,947</u>
Gearing ratio	<u>17.5%</u>	<u>9.3%</u>	<u>12.3%</u>

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the Relevant Periods.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and financial liabilities:

	As at 31 December		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Financial assets			
<i>Loans and receivables</i>			
- Trade and other receivables	22,620	16,372	41,552
- Amount due from a director	—	7,646	—
- Pledged bank deposits	8,717	4,205	21,211
- Cash and bank balances	52,118	115,103	48,482
	<u>83,455</u>	<u>143,326</u>	<u>111,245</u>
<i>Available-for-sale investments</i>	<u>2,278</u>	<u>—</u>	<u>—</u>
<i>Held-to-maturity investments</i>	<u>2,850</u>	<u>—</u>	<u>—</u>
Financial liabilities			
<i>At amortised cost</i>			
- Trade and other payables	29,290	43,737	34,950
- Amount due to a director	1,058	—	—
- Bank borrowings	11,316	7,600	10,027
- Obligation under finance lease	586	385	178
	<u>42,250</u>	<u>51,722</u>	<u>45,155</u>

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and other receivables, held-to-maturity investments, pledged bank deposits, cash and bank balances, trade and other payables, obligation under finance lease, bank borrowings and balance with a director.

Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

For disclosure purpose, the fair value of non-current obligation under finance lease is not materially different from its carrying value. The fair value has been determined by using discounted cash flow model and is classified as level 3 in the fair value hierarchy. Significant input includes the discount rate used to reflect the credit risk of the Group.

(b) Financial instruments measured at fair value

The Group's available-for-sale investments disclosed in note 16 are measured at fair value at the end of the reporting period. Their fair values are determined with reference to quoted market prices or dealer quotes.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3:	Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2014				
Available-for-sale investments:				
- Investment funds	—	761	—	761
- Listed equity securities	<u>1,517</u>	<u>—</u>	<u>—</u>	<u>1,517</u>
	<u>1,517</u>	<u>761</u>	<u>—</u>	<u>2,278</u>

The fair value of investment funds in level 2 is determined with reference to the net asset value provided by the respective administrator of the investment fund.

There were no transfers between levels of the fair value hierarchy during the Relevant Periods.

38. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) **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 credit risk is primarily attributable to its trade and other receivables, amount due from a director, cash and bank balances and pledged bank deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables (note 19), it is the Group's policy to deal only with creditworthy counterparties. Normally, the Group does not obtain collateral from the counterparties. In order to minimise credit risk, the management has formulated a credit policy for determination of credit limits and other follow-up action is taken to recover overdue debts.

In respect of cash and bank balances and pledged bank deposits, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

The Group provided guarantees in respect of the surety bonds issued in favour of several customers (note 32). As at 31 December 2014, 2015 and 2016, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK\$10,905,000, HK\$7,954,000 and HK\$27,768,000 respectively, which represented the maximum amount the Group could be required to pay if the guarantees were called on. Management considers that it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of reporting period, the Group has a certain concentration of credit risk as 3% and 78%, 46% and 86%, and 25% and 87% of the Group's trade receivables as at 31 December 2014, 2015 and 2016 respectively was due from the Group's largest customer and the Group's five largest customers respectively.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(b) 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 rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings and finance lease liability. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 December 2014, 2015 and 2016 bore interest at floating rates whereas its finance lease liability bears interest at fixed rates. Details of bank borrowings and finance lease liability are disclosed in notes 25 and 26 respectively.

The Group's bank balances, including pledged bank deposits also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits		
	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in interest rate			
+1%	(24)	(10)	(10)
-1%	<u>24</u>	<u>10</u>	<u>10</u>

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting period resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

(c) 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 is exposed to currency risk primarily through cash at banks and time deposits placed with banks that are denominated in RMB and EUR.

The carrying amount of the Group's major financial assets denominated in a currency other than the functional currency of the Group as at 31 December 2014, 2015 and 2016 is as follows:

	As at 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
RMB	9,024	18	16
EUR	<u>12</u>	<u>—</u>	<u>1,460</u>

Sensitivity analysis

The following table illustrates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the reporting period.

	Increase in profit for the year and retained profits		
	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
RMB appreciated by 3%	271	1	—
EUR appreciated by 3%	<u>—</u>	<u>—</u>	<u>44</u>

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of each of the reporting period does not reflect the exposure during the respective years.

(d) **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 and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>
As at 31 December 2014				
Trade and other payables	29,290	29,290	29,290	—
Amount due to a director	1,058	1,058	1,058	—
Bank borrowings	11,316	11,425	11,425	—
Obligation under finance lease	586	610	215	395
	<u>42,250</u>	<u>42,383</u>	<u>41,988</u>	<u>395</u>

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>
As at 31 December 2015				
Trade and other payables	43,737	43,737	43,737	—
Bank borrowings	7,600	7,695	7,695	—
Obligation under finance lease	<u>385</u>	<u>395</u>	<u>215</u>	<u>180</u>
	<u>51,722</u>	<u>51,827</u>	<u>51,647</u>	<u>180</u>
As at 31 December 2016				
Trade and other payables	34,950	34,950	34,950	—
Bank borrowings	10,027	10,219	10,219	—
Obligation under finance lease	<u>178</u>	<u>180</u>	<u>180</u>	<u>—</u>
	<u>45,155</u>	<u>45,349</u>	<u>45,349</u>	<u>—</u>

39. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2016:

- (a) On 31 March 2017, an interim dividend of HK\$20,000,000 was declared by subsidiaries of the Company to its then respective shareholder(s). Such dividend was settled by current accounts with directors;
- (b) Pursuant to the resolution passed by the sole shareholder of the Company on 12 May 2017, the authorised share capital of the Company has been increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 shares of HK\$0.01 each;
- (c) Pursuant to the resolutions passed by the sole shareholder of the Company on 12 May 2017, and subject to the same conditions as stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” included in the Prospectus of the Company, the following have been approved:
 - (i) The share offer of 250,000,000 new shares of the Company at offer price of not more than HK\$0.42 per offer share and not less than HK\$0.40 per offer share (the “Share Offer”);

- (ii) Conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Share Offer, the issue of a total of 749,999,996 shares at par by the Company to Luxury Booming by way of capitalising an amount of approximately HK\$7,500,000 from the share premium account of the Company (“Capitalisation Issue”); and
- (iii) The principal terms of the share option scheme as set out in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to the Prospectus.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2016.

Yours faithfully,

BDO Limited

Certified Public Accountants

Leung Tze Wai

Practising Certificate Number: P06158

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant’s Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial information” in this prospectus and the Accountant’s Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF COMBINED NET TANGIBLE ASSETS OF THE COMPANY

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Share Offer might have affected the combined net tangible assets of the Company after the completion of the Share Offer as if the Share Offer had taken place on 31 December 2016. Because of its hypothetical nature, this unaudited pro forma financial information may not give a true picture of the combined net tangible assets of the Company had the Share Offer been completed on 31 December 2016 or at any future dates.

	Combined net tangible assets of the Company as at 31 December 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma combined net tangible assets of the Company	Unaudited pro forma combined net tangible assets per Share
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on Offer Price of HK\$0.40 per Share	<u>82,947</u>	<u>82,737</u>	<u>165,684</u>	<u>0.166</u>
Based on Offer Price of HK\$0.42 per Share	<u>82,947</u>	<u>87,512</u>	<u>170,459</u>	<u>0.170</u>

Notes:

1. The combined net tangible assets of the Company as at 31 December 2016 are based on audited combined net assets of the Company as at 31 December 2016 of HK\$82,947,000 as shown in the Accountant’s Report set out in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. The estimated net proceeds from the Share Offer are based on 250,000,000 Shares to be issued at the minimum and maximum indicative Offer Price of HK\$0.40 and HK\$0.42 per Share, respectively, after deduction of the underwriting fees and related expenses of approximately HK\$17,263,000 or HK\$17,488,000, based on the Offer Price of HK\$0.40 or HK\$0.42 per Share, payable and borne by the Company which has not been reflected in combined net tangible assets of the Company as at 31 December 2016. No account has been taken of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
3. The unaudited pro forma combined net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assuming the Share Offer had been completed on 31 December 2016, but takes no account of any Shares which may be issued pursuant to the exercise of any options may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.
4. The unaudited pro forma combined net tangible assets of the Group and the unaudited pro forma combined net tangible assets per Share have not taken into account the interim dividends declared subsequent to 31 December 2016.

On 31 March 2017, the directors of a subsidiary declared interim dividend amounting to HK\$20,000,000 to its then shareholders and such dividend was settled by current accounts with directors. Had the dividend of HK\$20,000,000 been taken into account, the unaudited pro forma combined net tangible assets per Share would have been reduced to HK\$0.146 (assuming an Offer price of HK\$0.40 per Share) and HK\$0.150 (assuming an Offer price of HK\$0.42 per Share), respectively.

5. No adjustment has been made to the unaudited pro forma combined net tangible assets of the Group to reflect any trading results or other transactions of the Company entered into subsequent to 31 December 2016.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in relation to the Company's unaudited pro forma financial information.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Board of Directors of G & M Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of G & M Holdings Limited (the "Company") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Company as at 31 December 2016 and related notes as set out in Section A of Appendix II on pages II-1 to II-2 of the Company's prospectus dated 25 May 2017 (the "Prospectus") in connection with the proposed share offer of the Company (the "Proposed Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Share Offer on the Company's combined financial position as at 31 December 2016 as if the Proposed Share Offer had taken place at 31 December 2016. As part of this process, information about the Company's combined financial position has been extracted by the directors of the Company from the Company's financial information for the year ended 31 December 2016, on which an accountant's report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Share Offer at 31 December 2016 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

25 May 2017

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 12 May 2017 and will become effective on Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) *Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) ***Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided amongst the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution amongst the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide amongst the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 29 November 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 24 January 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection — Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 November 2016. The Company has established a principal place of business in Hong Kong at Units 1709-14, 17th Floor, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 17 January 2017. In connection with such registration, Mr. Lee Chi Hung of Flat D, 6th Floor, West Wing, Lung Tang Court, 88-90 Castle Peak Road, Tsing Lung Tau, Tsuen Wan, New Territories, Hong Kong has been appointed as an authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution documents comprise the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of the Company

- (a) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 November 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued as nil paid to an initial subscriber at par, which was transferred to Luxury Booming on the same date.
- (b) On 12 May 2017, pursuant to the Reorganisation Agreement, the Company acquired the entire issued share capital of Join Forward from Luxury Booming. In consideration thereof, (i) the Company allotted and issued as fully paid three Shares to Luxury Booming (at the direction of Mr. Lee and Mr. Leung); and (ii) the one nil paid subscriber Share held by Luxury Booming was credited as fully paid.
- (c) Pursuant to the written resolutions of the sole Shareholder passed on 12 May 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of a further 9,962,000,000 Shares.
- (d) Immediately following the completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 1,000,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 9,000,000,000 Shares will remain unissued. Other than the Shares which may be issued pursuant to the exercise of the options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in “A. Further information about

the Company — 3. Written resolutions of the sole Shareholder” in this Appendix, the Directors have no present intention to issue any part of the authorised but unissued capital of the Company, and without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

- (e) Save as disclosed above, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions of the sole Shareholder passed on 12 May 2017, amongst other things:

- (a) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each;
- (b) conditional on the conditions as set out in the section headed “Structure and conditions of the Share Offer” in this prospectus:
 - (i) the Share Offer was approved and the Directors or any committee of the Board were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the then existing Shares in all respects; (bb) implement the Share Offer and the listing of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;
 - (ii) conditional on the share premium account of the Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, the Directors were authorised to capitalise a maximum amount of HK\$7,499,999.96 standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par an aggregate of 749,999,996 Shares for allotment and issue, credited as fully paid at par and rank pari passu in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to Luxury Booming, and the Directors were authorised to give effect to such capitalisation and distribution;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and the Directors or any committee of the Board were authorised, subject to the terms and conditions of the Share Option Scheme, to implement the Share Option Scheme, to grant options to

subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable expedient to implement the Share Option Scheme;

- (iv) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of the subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting, such number of Shares not exceeding (1) 20% of the aggregate number of issued shares of the Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (2) the aggregate number of Shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10 % of the aggregate number of issued shares of the Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of the Company;

- (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands;
- (3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by the Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of issued shares of the Company immediately following the completion of the Share Offer and the Capitalisation Issue excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme; and
- (vii) the Company approved and adopted the Memorandum of Association and Articles of Association, the terms of which are summarised in Appendix III to this prospectus, with effect upon the Listing.

4. Reorganisation

The companies comprising the Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus. Following the Reorganisation, the Company became the holding company of the Group.

Diagrams showing the Group’s structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

The Company’s subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed “History, Reorganisation and corporate structure — Establishment and development of the subsidiaries of the Company” in this prospectus, there was no change in the share capital of the subsidiaries of the Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, the Company has no other subsidiaries.

6. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the sole Shareholder on 12 May 2017, the Repurchase Mandate was given to the Directors authorising the Directors to exercise all powers of the Company to purchase the Shares as described above in the sub-section headed "A. Further information about the Company — 3. Written resolutions of the sole Shareholder" in this Appendix.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium accounts of the Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) *Core connected persons*

The Listing Rules prohibit the Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of the Company or any of the subsidiaries or a close associate (as defined in the Listing Rules) of any of them and a core connected person shall not knowingly sell Shares to the Company.

(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after Listing, could accordingly result in up to 100,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(e) *General*

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts


The following contracts (not being contracts entered into the ordinary course of business of the Group) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the Reorganisation Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the Public Offer Underwriting Agreement.

2. Intellectual property rights of the Group

(a) Trademarks

As at the Latest Practicable Date, the Group has registered the following trademark in Hong Kong which is material to the Group's business:


Trademark	Registration number	Registrant	Class (Note)	Registration date	Expiry date
	303577230	G & M Engineering	37, 42	27 October 2015	26 October 2025

Note:

Class 37: Building construction supervision; building construction services; building maintenance and repair; building restoration; construction consultancy services; construction management services; construction supervision services; glazing services for buildings; maintenance and repair services of buildings; installation, maintenance and repair of gondolas, glass, glazing units, skylights, window walls, window frames, windows, aluminium windows walls, curtain walls, aluminium claddings, ceilings, shop fronts, louvers, walkways, glass walls, claddings, glass roofs, canopy, curtain wall, double glazing, fire related glazing and balustrades; all included in Class 37.

Class 42: Architectural and engineering services; construction drafting services; glazing and cladding design and engineering services; glass wall design and engineering services; structural steel support system design services; all included in Class 42.

As at the Latest Practicable Date, the Group has applied for the following trademark in Hong Kong which is material to the Group's business:

Trademark	Applicant	Application number	Class (Note 1)	Status (Note 2)
	G & M Engineering	304021631	37, 42	Published

Notes:

1. Class 37: Building construction supervision; building construction services; building maintenance and repair; building restoration; construction consultancy services; construction management services; construction supervision services; glazing services for buildings; maintenance and repair services of buildings; installation, maintenance and repair of gondolas, glass, glazing units, skylights, window walls, window frames, windows, aluminium windows walls, curtain walls, aluminium claddings, ceilings, shop fronts, louvers, walkways, glass walls, claddings, glass roofs, canopy, curtain wall, double glazing, fire related glazing and balustrades; all included in Class 37.

Class 42: Architectural and engineering services; construction drafting services; glazing and cladding design and engineering services; glass wall design and engineering services; structural steel support system design services; all included in Class 42.
2. On 20 March 2017, the Group received a letter from the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government which informed the Group that the application has been accepted and the particulars of the application will be published in the Hong Kong Intellectual Property Journal on 24 March 2017. In general, the application will proceed to registration if no notice of opposition is filed within three months from 24 March 2017.

(b) *Domain name*

As at the Latest Practicable Date, the Group had registered the following domain name:

Domain name	Registrant	Date of registration	Expiry date
www.gm-eng.com.hk	G & M Engineering	31 January 2000	1 September 2017

Information contained in the above website does not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of the Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Directors

(a) *Disclosure of interests of Directors*

So far as the Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have 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 in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, will be as follows:

(i) *Long position in the Shares*

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Lee (<i>Note</i>)	Interest in a controlled corporation; interest held jointly with another person	750,000,000 ordinary Shares	75%
Mr. Leung (<i>Note</i>)	Interest in a controlled corporation; interest held jointly with another person	750,000,000 ordinary Shares	75%

Note: Mr. Lee and Mr. Leung respectively held 75% and 25% of the issued shares of Luxury Booming, which in turn held 75% of the issued Shares. By virtue of the Concert Parties Confirmatory Deed, Mr. Lee and Mr. Leung acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Group during the Track Record Period and will continue the same as at and after the date of the Concert Parties Confirmatory Deed. As such, each of Mr. Lee and Mr. Leung is deemed to be interested in the entire issued Shares held by Luxury Booming under the SFO.

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

Name of Directors	Name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Lee	Luxury Booming	Beneficial owner	4	100%
Mr. Leung	Luxury Booming	Beneficial owner	4	100%

Note:

By virtue of Concert Parties Confirmatory Deed, each of Mr. Lee and Mr. Leung is deemed to be interested in the aggregate of the shares of Luxury Booming held by Mr. Lee and Mr. Leung.

(b) *Particulars of service contracts*

Each of Mr. Lee and Mr. Chan, the executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of the executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by the Board and the remuneration committee of the Company.

In addition, each of the executive Directors may be entitled to, if so recommended by the Remuneration Committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The current basic annual salary of the executive Directors are as follows:

Name	Amount <i>(HK\$)</i>
Mr. Lee	2,340,000
Mr. Chan	1,040,000

Each of Mr. Leung, being the non-executive Director, and each of Professor Wong Roderick Sue Cheun, Mr. Tai Kwok Leung, Alexander and Mr. Kwan Cheuk Kui, being the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, the annual remuneration payable to the non-executive Director and the independent non-executive Directors under each of the letters of appointment is as follows:

Name	Amount <i>(HK\$)</i>
Mr. Leung	845,000
Professor Wong Roderick Sue Cheun	240,000
Mr. Tai Kwok Leung, Alexander	240,000
Mr. Kwan Cheuk Kui	240,000

Save as disclosed above, none of the Directors has or is proposed to enter into a service contract/letter of appointment with the Company or any of the subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

(c) ***Directors' remuneration***

The Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group by the relevant Director;
- (ii) non-cash benefits may be provided to the Directors under their remuneration package; and
- (iii) the executive Directors may be granted, at the discretion of the Board, share options of the Company, as part of the remuneration package.

An aggregate sum of approximately HK\$1.3 million, HK\$1.3 million, HK\$4.8 million was paid to the Directors as remuneration and benefits in kind by the Group for the three years ended 31 December 2016, respectively.

An aggregate sum of HK\$4,492,000 will be paid to the Directors as remuneration and benefits in kind by the Group for the year ending 31 December 2017 under the arrangements in force at the date of this prospectus excluding management bonus.

2. Substantial shareholders

So far as the Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the following persons/entities (not being the Directors or chief executive of the Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in Shares, underlying Shares and debentures

Name	Capacity	Number and class of securities	Approximate percentage of shareholding
Luxury Booming	Beneficial owner	750,000,000 ordinary Shares	75%
Ms. Lam (<i>Note 1</i>)	Interest of spouse	750,000,000 ordinary Shares	75%
Ms. Ku (<i>Note 2</i>)	Interest of Spouse	750,000,000 ordinary Shares	75%

Notes:

1. Ms. Lam is the spouse of Mr. Lee and is deemed, or taken to be, interested in all Shares in which Mr. Lee has interest in under the SFO.
2. Ms. Ku is the spouse of Mr. Leung and is deemed, or taken to be, interested in all Shares in which Mr. Leung has interested in under the SFO.

3. Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 35 of the Accountant's Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this Appendix and the section headed “Substantial Shareholders” in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares 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 is, either directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group;
- (b) none of the Directors and chief executive of the Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules;
- (c) none of the Directors nor the experts named in “E. Other information — 6. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (e) none of the experts named in “E. Other information — 6. Qualifications of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (f) none of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company’s issued share capital) has any interest in the Group’s five largest suppliers and five largest customers.

D. SHARE OPTION SCHEME**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the sole Shareholder on 12 May 2017.

For the purpose of this section, unless the context otherwise requires:

“Board”	means the board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means, amongst others, any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of the Company or any of the subsidiaries;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by the Board to each Participant but which shall not exceed ten years from the date of grant of such option;
“Other Schemes”	means any other share option schemes adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of the Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the Listing Rules) of the Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) *Purpose of the Share Option Scheme*

The Share Option Scheme enables the Company to grant Options to Eligible Persons as incentives or rewards for their contributions to the Group.

(b) *Who may join*

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 Trading Days from the date on which the Option is granted.

(c) *Grant of Option*

Any grant of Options must not be made after inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the relevant requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, Option may not be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. The Directors may not grant any Option to an Eligible Person during the periods or times in which the Directors are prohibited from dealing in shares pursuant to the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such Participant (the "Further Grant") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, the Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and

Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of the Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) *Price of Shares*

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) *Maximum number of Shares*

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,000,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 100,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing information as required under the Listing Rules in this regard.

(iv) Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) ***Time of exercise of Option***

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option.

(g) ***Rights are personal to grantee***

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option.

(h) ***Rights on death***

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death or such longer period as the Board may determine, failing which such Options will lapse.

(i) ***Changes in capital structure***

In the event of any alteration in the capital structure of the Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser of the Company or the auditors of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(j) ***Rights on take-over***

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) ***Rights on a compromise or arrangement***

- (i) In the event of a notice is given by the Company to the Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by the Company not later than two business days prior to the proposed meeting) exercise the outstanding Option either in full or in part and the Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders’ meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), the Company shall give notice thereof to all Participants on

the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by the Company not later than two Trading Days prior to the proposed meeting) exercise the outstanding Option either in full or in part and the Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(l) *Lapse of Option*

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of the Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of the Group on the date of grant of Option to him or her, the date on which such member of the Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board or the board of directors of the relevant member of the Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by the Board:
 - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or

- (2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent; or
 - (3) there is unsatisfied judgment, order or award outstanding against the Participant or the Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
 - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
 - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
 - (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction;
- (vii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by the Board; or
- (viii) the date on which the Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria.

(m) ***Ranking of Shares***

Shares allotted and issued upon the exercise of an Option will be subject to the Articles of Association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the Grantee has been entered into the register of members of the Company as the holder thereof.

(n) ***Cancellation of Options granted***

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing.

In the event that the Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) *Period of Share Option Scheme*

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) *Alteration to and termination of Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board, except that the provisions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Participant or the prospective Participants without the prior approval of the Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by the Shareholders under the Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature, shall first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

The Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

(q) *Granting of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates*

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by the Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder of the Company, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) *details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;*
- (ii) *a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and*
- (iii) *all other information as required by the Listing Rules*

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) of the Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of the Company.

(r) ***Conditions of Share Option Scheme***

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by the Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Share which may be issued pursuant to the exercise of Options.

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no options had been granted or agreed to be granted by the Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 17 of the Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of the Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of the Group — 1. Summary of material contracts — (b) the Deed of Indemnity” in this Appendix) with and in favour of the Company (for itself and as trustee for each of the present subsidiaries) to provide indemnities on a joint and several basis in respect of, amongst other matters:

- (a) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Share Offer becomes unconditional (the “**Effective Date**”), save for any taxation the extent that:
 - (i) full provision has been made for such taxation in the audited accounts of the Group for the three years ended 31 December 2016 (the “**Accounts**”) as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 31 December 2016 which arises in the ordinary course of business of the Group as described in the section headed “Business” in this prospectus;
 - (ii) falling on any member of the Group on or after Listing Date, unless the liability for such taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of the Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of its business or in the ordinary course of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before Listing Date;
 - (iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, or the Cayman Islands, or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and

- (iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and
- (b) all claims, actions, losses, payment, damages, costs, expenses, penalties and of whatever nature suffered or incurred by any subsidiary of the Group directly or indirectly as a result of or in connection with the non-compliance or alleged non-compliance by any subsidiary of the Group with any applicable laws, rules and regulations in Hong Kong or any jurisdictions in the course of its business occurred on or before the Listing Date and/or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any the subsidiary of the Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any subsidiary of Group and/or any act, non-performance, omission or otherwise of any subsidiary of Group accrued or arising on or before the Listing Date.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, the BVI, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising the Group were incorporated.

2. **Litigation**

Save as disclosed in the section headed "Business — Litigation and potential claims" in this prospectus, neither the Company nor any of the subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the Directors to be pending or threatened by or against the Company or any of the subsidiaries, that would have a material adverse effect on the Group's results of operations or financial condition.

3. **Sponsor**

The Sponsor has made an application for and on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately HK\$33,540 and are payable by the Company.

5. Promoter

The Company has no promoter.

6. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Messis Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
BDO Limited	Certified Public Accountants
TC & Co.	Legal advisers to the Company as to Hong Kong law
Hills & Co.	Legal advisers to the Company as to PRC law
Appleby	Legal advisers to the Company as to Cayman Islands law

7. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries, dated the date of this prospectus, thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

8. Sponsor's fees

The Sponsor will be paid by the Company a total fee of HK\$5.3 million to act as sponsor to the Company in connection with the Listing.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Miscellaneous

- (a) Save as disclosed in this Appendix and the sections headed “History, Reorganisation and corporate structure” and “Underwriting” in this prospectus, within the two years preceding the date of this prospectus:
- (i) no share or loan capital of the Company or any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of the subsidiaries; and
 - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in the Company.
- (b) No share or loan capital of the Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of the subsidiaries has been issued or agreed to be issued.
- (d) The Directors confirm that, up to the date of this prospectus, save as disclosed in “Summary — No material adverse change” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2016 (being the date to which the latest audited combined financial statements of the Group were made up), and there had been no event since 31 December 2016 which would materially affect the information as shown in the Accountant’s Report in Appendix I to this prospectus.
- (e) There has not been any interruption in the business of the Group which has had a material adverse effect on the financial position of the Group in the 24 months preceding the date of this prospectus.
- (f) None of Messis Capital Limited, BDO Limited, TC & Co., Hills & Co., and Appleby:
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

- (g) No company within the Group is presently listed on any stock exchange or traded on any trading system and no part of the shares or loan capital of the Company is listed, traded or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing of, or permission to deal in, any part of its shares or loan capital on any other stock exchange.
- (h) The Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, the Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the section headed “B. Further information about the business of the Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201-2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the Accountant’s Report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
3. the audited financial statements of G & M Contracting and G & M Engineering for each of the three years ended 31 December 2016 and the audited financial statements of G & M Maintenance for each of the two years ended 31 March 2014 and 2015, for the nine months ended 31 December 2015 and for the year ended 31 December 2016;
4. the report prepared by BDO Limited on the unaudited pro forma financial information of the Group, the text of which are set out in Appendix II to this prospectus;
5. the legal opinion prepared by TC & Co., the legal advisers to the Company as to Hong Kong law, in respect of certain aspects of the Group;
6. the legal opinion prepared by Hills & Co., the legal advisers to the Company as to PRC law, in respect of certain aspects of the Group;
7. the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
8. the Companies Law;
9. copies of material contracts referred to in the section headed “B. Further information about the business of the Group — 1. Summary of material contracts” in Appendix IV to this prospectus;

10. the service agreements and letters of appointment referred to in the section headed “C. Further information about directors, management and staff — 1. Directors” in Appendix IV to this prospectus;
11. the written consents referred to the section headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus; and
12. the Share Option Scheme.



G & M Holdings Limited
信越控股有限公司