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Application Proof of

G & M Holdings Limited 信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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No offer or invitation will be made to the public in Hong Kong unless and until after a prospectus of the Company is registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decision solely based on the Company’s prospectus registered with the Registrar of the Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

If you are in any doubt about any of the contents of this [REDACTED], 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)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares
Number of [REDACTED] : [REDACTED] Shares (subject to re-allocation)
Number of [REDACTED] : [REDACTED] Shares (subject to re-allocation)
[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and not less than HK\$[REDACTED] per [REDACTED] (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 : [REDACTED]

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

[REDACTED]

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A copy of this [REDACTED], 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 [REDACTED], 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 [REDACTED] or any other documents referred to above.

The [REDACTED] is expected to be determined by agreement between the Company and the [REDACTED] (for itself and on behalf of the Underwriters) on the [REDACTED] or such later date as may be agreed by the Company and the [REDACTED] (for itself and on behalf of the Underwriters) but in any event no later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. Applicants for [REDACTED] are required to pay, on application, the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] should be lower than HK\$[REDACTED].

The [REDACTED] (for itself and on behalf of the Underwriters) may, with the Company's consent, reduce the indicative [REDACTED] range stated in this [REDACTED] at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of the reduction of the indicative [REDACTED] range will be published at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.gm-eng.com.hk. Details of the arrangement will then be announced by the Company as soon as practicable. Further details are set out in the sections headed "Structure and conditions of the [REDACTED]" and "How to apply for [REDACTED]" in this [REDACTED].

If, for any reason, the [REDACTED] is not agreed between the Company and the [REDACTED] (for itself and on behalf of the Underwriters) on or before [REDACTED], the [REDACTED] (including the [REDACTED]) will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this [REDACTED], including risk factors set out in the section headed "Risk factors" in this [REDACTED]. Pursuant to the Underwriting Agreements, the [REDACTED] (for itself 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 [REDACTED]. Further details of such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this [REDACTED].

No action has been taken to permit an [REDACTED] of the [REDACTED] or the distribution of this [REDACTED] in any jurisdiction other than in Hong Kong. Accordingly, this [REDACTED] or the [REDACTED] 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 [REDACTED] or the [REDACTED] and the [REDACTED] of the [REDACTED] in other jurisdictions may be restricted by law and therefore persons who possess this [REDACTED] or any of the [REDACTED] should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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IMPORTANT NOTICE TO INVESTORS

This [REDACTED] is issued by the Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this [REDACTED] pursuant to the [REDACTED]. This [REDACTED] 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 [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this [REDACTED] in any jurisdiction other than Hong Kong. The distribution of this [REDACTED] and the offering and sale of the [REDACTED] 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 [REDACTED] and the [REDACTED] to make your investment decision. The Company, the Sponsor, the [REDACTED] and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this [REDACTED]. Any information or representation not contained or made in this [REDACTED] must not be relied on by you as having been authorised by the Company, the Sponsor, the [REDACTED], any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the [REDACTED]. The contents on the Company's website www.gm-eng.com.hk do not form part of this [REDACTED].

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SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are summarised in the section headed "Risk factors" in this [REDACTED]. You should read that section carefully before you decide to invest in the [REDACTED].

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 two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's revenue was mainly derived from the 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				Nine months ended 30 September			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Design and build projects								
- Podium facade and related works	121,332	80.2	195,998	89.6	135,116	89.6	175,317	86.1
- Curtain wall works	16,252	10.7	13,998	6.4	11,350	7.5	22,008	10.8
Sub-total	137,584	90.9	209,996	96.0	146,466	97.1	197,325	96.9
Repair and maintenance services	13,720	9.1	8,824	4.0	4,424	2.9	6,273	3.1
Total	151,304	100.0	218,820	100.0	150,890	100.0	203,598	100.0

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,

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arrangement for material fabrication and processing, installation works and post-completion maintenance services. 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 [REDACTED].

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 [REDACTED].

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:

	For the year ended 31 December		For the nine months ended 30 September	Total
	2014	2015	2016	
Number of design and build projects awarded				
- Podium facade and related works	6	6	8	20
- 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>8</u></u>	<u><u>22</u></u>
Number of design and build projects completed				
- Podium facade and related works	3	5	4	12
- 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>4</u></u>	<u><u>15</u></u>

SUMMARY

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

	As at 31 December 2014	2015	As at 30 September 2016
Number of backlog of design and build projects	11	11	15
Value of backlog of design and build projects (HK\$ million)	350.5	282.4	497.6

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 [REDACTED].

CUSTOMERS

The Group's customer types generally include main contractor, property developer, commercial enterprise and public body. For the five largest customers during the Track Record Period, the business relationship between the Group and them ranges from approximately 1 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 two years ended 31 December 2015 and the nine months ended 30 September 2016, the percentage of the Group's total revenue attributable to the Group's largest customer amounted to approximately 52.4%, 85.7% and 71.6%, 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 [REDACTED].

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 two years ended 31 December 2015 and the nine months ended 30 September 2016, the percentage of the Group's total purchases attributable to the Group's largest supplier amounted to approximately 32.6%, 44.0% and 29.1%, 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 64.2%, respectively. For further details, please refer to the section headed "Business — Suppliers" in this [REDACTED].

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SUBCONTRACTORS

As the Group does not employ any direct labour to carry out the installation works for its projects, 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 two years ended 31 December 2015 and the nine months ended 30 September 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 23.5%, 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 65.8%, respectively. For further details, please refer to the section headed "Business — Subcontractors" in this [REDACTED].

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.

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 [REDACTED].

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 [REDACTED].

SUMMARY

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 expanding the Group's manpower for project execution and strengthening the skills of staff; (iii) further strengthening the Group's capital base for the issue of surety bonds; 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 [REDACTED].

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 [REDACTED] 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 the Group's major 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 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. For further details, please refer to the section headed "Risk factors" in this [REDACTED].

USE OF PROCEEDS

The Group estimates that the aggregate net proceeds to the Company from the [REDACTED], after deducting related underwriting fees and estimated expenses in connection with the [REDACTED] and an [REDACTED] of HK\$[REDACTED], being the mid-point of the [REDACTED] range, will be approximately HK\$[REDACTED]. The Directors presently intend to apply (i) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group's capacity to undertake more design and build projects, in particular the curtain wall business; (ii) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group's manpower for project execution and strengthening the skills of staff; (iii) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for the satisfaction of the surety bond requirements; (iv) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further enhancing the Group's operational efficiency and technical capability by acquiring additional machinery and equipment; and (v) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds as general working capital of the Group. In the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the [REDACTED] range, the above allocation of the net proceeds from the [REDACTED] will be adjusted on a pro-rata basis. For further details, please refer to the section headed "Future plans and use of proceeds — Use of proceeds" in this [REDACTED].

SUMMARY

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 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 [REDACTED].

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 [REDACTED].

Immediately following the completion of the Capitalisation Issue and the [REDACTED] (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 [REDACTED]% 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 [REDACTED]. 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 [REDACTED].

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 [REDACTED]. The following information should be read in conjunction with the section headed "Financial information" in this [REDACTED] and the combined financial statements and the related notes in the Accountant's Report in Appendix I to this [REDACTED].

SUMMARY

Combined statements of comprehensive income

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Revenue	151,304	218,820	150,890	203,598
Gross profit	50,393	71,067	53,229	66,155
Profit before income tax	37,339	55,863	43,006	50,562
Profit for the year/period	31,265	46,492	35,890	41,727
Total comprehensive income for the year/ period	31,124	46,455	35,624	41,705
Total comprehensive income for the year/period attributable to owners of the Company	30,612	46,131	35,434	41,680

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) 7 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 nine months ended 30 September 2016, the Group's revenue amounted to approximately HK\$203.6 million, representing an increase of approximately HK\$52.7 million or 34.9% as compared to that of the nine months ended 30 September 2015. Such increase was mainly attributable to the Group's efforts in pursuing projects of relatively larger scales and higher income.

For each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, profit of the year/period of the Group amounted to approximately HK\$31.3 million, HK\$46.5 million and HK\$41.7 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 [REDACTED].

SUMMARY

Combined statements of financial position

	As at 31 December		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	3,434	1,762	3,996
Current assets	130,876	166,983	174,294
Total assets	134,310	168,745	178,290
Non-current liabilities	385	178	18
Current liabilities	65,835	82,725	93,625
Total liabilities	66,220	82,903	93,643
Net current assets	65,041	84,258	80,669
Total equity	68,090	85,842	84,647

As at 31 December 2014, 2015 and 30 September 2016, the Group had net current assets of approximately HK\$65.0 million, HK\$84.3 million and HK\$80.7 million, respectively. For further details of the Group's financial position, please refer to the section headed "Financial information — Net current assets" in this [REDACTED].

Combined statements of cash flows

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Net cash generated from/(used in) operating activities	12,583	95,463	79,149	(3,883)
Net cash generated from/(used in) investing activities	3,772	608	(1,541)	(20,308)
Net cash generated from/(used in) financing activities	<u>2,717</u>	<u>(33,086)</u>	<u>(30,506)</u>	<u>(31,158)</u>
Increase/(Decrease) in cash and cash equivalents	19,072	62,985	47,102	(55,349)
Cash and cash equivalents at the beginning of the year/period	<u>33,046</u>	<u>52,118</u>	<u>52,118</u>	<u>115,103</u>
Cash and cash equivalents at the end of the year/period	<u><u>52,118</u></u>	<u><u>115,103</u></u>	<u><u>99,220</u></u>	<u><u>59,754</u></u>

SUMMARY

For each of the two years ended 31 December 2015, the Group recorded net cash generated from operating activities of approximately HK\$12.6 million and HK\$95.5 million, respectively. For the nine months ended 30 September 2016, the Group recorded net cash used in operating activities of approximately HK\$3.9 million, mainly due to an increase in trade and other receivables of approximately HK\$52.7 million and income tax paid of approximately HK\$13.7 million. 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 [REDACTED].

Key financial ratios

	Year ended 31 December		Nine months ended
	2014	2015	30 September 2016
Return on total assets	23.3%	27.6%	23.4%
Return on equity	45.9%	54.2%	49.3%
Net profit margin	20.7%	21.2%	20.5%
Interest coverage	116.2 times	120.9 times	158.0 times

	As at 31 December		As at
	2014	2015	30 September 2016
Current ratio	2.0	2.0	1.9
Quick ratio	2.0	2.0	1.9
Gearing ratio	17.5%	9.3%	23.7%
Net debt to equity ratio	N/A	N/A	N/A

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 [REDACTED].

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 [REDACTED].

SUMMARY

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group (i) had been awarded 1 design and build project related to podium facade and related works with an awarded contract sum of approximately HK\$7.6 million; and (ii) completed 5 design and build projects related to podium facade and related works with a total cumulative revenue recognised upon completion of approximately HK\$123.5 million. As at the Latest Practicable Date, the Group had 11 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\$593.0 million. Of such amount, approximately HK\$162.4 million has been recognised up to 30 September 2016 and the amount of outstanding awarded contract sum as at 30 September 2016 amounted to approximately HK\$430.6 million. Out of these 11 design and build projects, according to their respective latest programme, 9 of which are expected to be completed during the year ending 31 December 2017 and 2 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 the Latest Practicable Date" in this [REDACTED].

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group had received 11 invitations to tender for design and build projects in relation to podium facade and curtain wall, of which the Group (i) submitted 2 tenders; (ii) declined 2 invitations to tender; and (iii) is in the course of assessing and considering 7 invitations. As at the Latest Practicable Date, there were 2 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\$120.7 million.

[REDACTED] EXPENSES

The Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED], of which approximately HK\$[REDACTED] is directly attributable to the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED], and the remaining amount of approximately HK\$[REDACTED], which cannot be so deducted, will be charged to the Group's profit or loss. During the year ended 31 December 2015 and the nine months ended 30 September 2016, approximately HK\$[REDACTED] and HK\$[REDACTED] of the [REDACTED] expenses has been charged to the Group's profit or loss, respectively. Approximately HK\$[REDACTED] and HK\$[REDACTED] is expected to be incurred for the three months ended 31 December 2016 and the year ending 31 December 2017, respectively.

Expenses in relation to the [REDACTED] 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 [REDACTED].

SUMMARY

DIVIDENDS

During 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. During the year ended 31 December 2015 and the nine months ended 30 September 2016, subsidiaries of the Company declared interim dividend of approximately HK\$28,700,000 and HK\$35,900,000, respectively, to their then shareholders. In December 2016, an interim dividend of HK\$10,000,000 was declared by subsidiaries of the Company to their then respective shareholder(s). Such dividend was paid in full on 31 December 2016. The Group intends to declare an interim dividend of HK\$20,000,000 in [REDACTED] to the then shareholders of the Group, which will be settled prior to the [REDACTED]. For further details, please refer to the section headed "Financial information — Dividends" in this [REDACTED].

[REDACTED] STATISTICS

The following table sets forth the statistics based on the assumption that [REDACTED] are issued under the [REDACTED]:

	Based on the minimum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the maximum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of the Company at [REDACTED] (<i>Note 1</i>)	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share (<i>Note 2</i>)	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

1. The calculation of market capitalisation is based on the [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].
2. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the 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 [REDACTED] and on the basis of a total of [REDACTED] Shares being in issue at the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED] immediately upon completion of the [REDACTED].

SUMMARY

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-sections headed “Recent development” and “[REDACTED] expenses” in this section, the Directors confirm that, up to the date of this [REDACTED], there has been no material adverse change in the financial or trading position or prospects of the Group since 30 September 2016 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 30 September 2016 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this [REDACTED].

DEFINITIONS

In this [REDACTED], unless the context otherwise requires, the following expressions have the following meanings.

[REDACTED]

“Articles” or “Articles of Association”	the articles of association of the Company adopted on [●] 2017 and with effect from the [REDACTED], and as amended from time to time, a summary of which is set out in Appendix III to this [REDACTED]
“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 [REDACTED] 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 [REDACTED]
“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
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“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 [REDACTED]
“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
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this [REDACTED], 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

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated [●] 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 [REDACTED]
“Deed of Non-competition”	the deed of non-competition dated [●] 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 [REDACTED]
“Director(s)”	the director(s) of the Company
“First 6-Month Period”	has the meaning ascribed to it in the section headed “Underwriting” in this [REDACTED]
“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
“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

[REDACTED]

DEFINITIONS

“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
	[REDACTED]
“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”	[REDACTED]
“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
“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
“Latest Practicable Date”	13 January 2017, being the latest practicable date prior to the printing of this [REDACTED] for the purpose of ascertaining certain information in this [REDACTED] prior to its publication

DEFINITIONS

[REDACTED]

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange

[REDACTED]

“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 [●] 2017 and with effect from the [REDACTED], and as amended from time to time

“Messis Capital” or “Sponsor” Messis Capital Limited, the sponsor for the [REDACTED] and a licensed corporation to engage in 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

“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

DEFINITIONS

[REDACTED]

“[REDACTED] Underwriter(s)”	the underwriters of the [REDACTED], who are expected to enter into the [REDACTED] Underwriting Agreement to underwrite the [REDACTED]
“[REDACTED] Underwriting Agreement”	the conditional underwriting and [REDACTED] agreement relating to the [REDACTED] expected to be entered into on or about the [REDACTED] by, amongst others, the Company and the [REDACTED] Underwriters, particulars of which are summarised in the section headed “Underwriting” in this [REDACTED]
“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 [REDACTED] only, does not include Taiwan, Hong Kong and Macau

[REDACTED]

DEFINITIONS

[REDACTED]

“[REDACTED] Underwriters”	the underwriters of the [REDACTED] listed in section headed “Underwriting — [REDACTED] Underwriters” in this [REDACTED]
“[REDACTED] Underwriting Agreement”	the conditional underwriting agreement dated [●] 2017 relating to the [REDACTED] entered into between, amongst others, the Company and the [REDACTED] Underwriters, particulars of which are summarised in the section headed “Underwriting” in this [REDACTED]
“Relevant Jurisdictions”	has the meaning as it is defined in the section headed “Underwriting” in this [REDACTED]
“Relevant Securities”	has the meaning as it is defined in the section headed “Underwriting” in this [REDACTED]
“Reorganisation”	the corporate reorganisation arrangements implemented by the Group in preparation for the [REDACTED] which is more particularly described in the section headed “History, Reorganisation and corporate structure” in this [REDACTED]
“Reorganisation Agreement”	the reorganisation agreement dated [●] 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) at the direction of Mr. Lee and Mr. Leung, the Company allotted and issued as fully paid one Share to Luxury Booming; and (ii) the one nil paid subscriber Share held by Luxury Booming was credited as fully paid
“Second 6-Month Period”	has the meaning as ascribed to it in the section headed “Underwriting” in this [REDACTED]
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“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)
	[REDACTED]
“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 [●] 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 [REDACTED]
“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 two years ended 31 December 2015 and the nine months ended 30 September 2016
“Underwriters”	collectively, the [REDACTED] Underwriters and the [REDACTED] Underwriters
“Underwriting Agreements”	collectively, the [REDACTED] Underwriting Agreement and the [REDACTED] Underwriting Agreement
	[REDACTED]
“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

DEFINITIONS

“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 [REDACTED] 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 [REDACTED] as they relate to the Company and as they are used in this [REDACTED] 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 [REDACTED]

FORWARD-LOOKING STATEMENTS

This [REDACTED] 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 [REDACTED].

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 [REDACTED].

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 [REDACTED] are qualified by reference to the cautionary statements as set out in this section.

In this [REDACTED], statements of, or references to, the Group’s intentions or those of any of the Directors are made as at the date of this [REDACTED]. 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 [REDACTED] 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 two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's revenue amounted to approximately HK\$151.3 million, HK\$218.8 million and HK\$203.6 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 71.6% of its total revenue for each of the two years ended 31 December 2015 and the nine months ended 30 September 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.

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 therefore be materially and adversely affected should the Group be 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 to become 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 40.8% of the Group's total cost of revenue for each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, respectively.

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

RISK FACTORS

cost of building materials since some of the Group's suppliers are located in Hong Kong and 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 12.5% 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\$32.5 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 determined based on the estimated costs to be incurred plus a mark-up. If a significant mark-up is made upon the estimated costs, then 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 the Latest Practicable Date is October 2018 and the duration of the Group's projects usually ranges from approximately 3 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 that the execution of new projects and the continued development of its business in the future will require 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 3 and 29 months, 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

RISK FACTORS

refer to the section headed "Business — Customers — Credit policy" in this [REDACTED]. In addition, 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 HK\$10.3 million, HK\$6.3 million and HK\$10.7 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 25.8%, 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.

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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 description of the Directors and senior management of the Group, please refer to the section headed "Directors and senior management" in this [REDACTED]. 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.

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.

During the Track Record Period, the Group has not encountered any material delay in receiving progress payment or releasing of retention money by its customers. However, there can be no assurance that such progress payments will be made on time or that such retention money will be timely released by the customers in the future. Any failure by the customers to make progress payments to the Group or release the retention money in a timely manner may have an adverse effect on the Group's future liquidity position.

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 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

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selecting subcontractors for a project, the Group will evaluate them based on their technical capability, job reference, pricing competitiveness, labour resources and past safety performance. During the Track Record Period, subcontracting charges incurred by the Group amounted to approximately HK\$35.8 million, HK\$57.3 million and HK\$54.7 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 [REDACTED]. 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 Subcontractor, which will expire on 30 March 2017. Although the Group has submitted an application for renewal for G & M Engineering to the Construction Industry Council on 5 January 2017, there is no assurance that the Group can renew the aforesaid in a timely manner.

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 [REDACTED].

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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.

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

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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.

The financial results of the Group would be affected by the [REDACTED] expenses

Given that the Group's revenue and profits are primarily generated from projects which are of a non-recurring nature and on a project-by-project basis, the revenue and profitability of the Group are highly unpredictable. The Directors are of the view that there would be a negative impact on the financial results, including the net profit of the Group for the year ended 31 December 2016 and the year ending 31 December 2017 due to the non-recurring [REDACTED] expenses.

The total estimated expenses in relation to the [REDACTED] that will be borne by the Company are estimated to be approximately HK\$[REDACTED], of which approximately HK\$[REDACTED] and approximately HK\$[REDACTED] are expected to be charged to the profit or loss account and equity account of the Group, respectively. The estimated [REDACTED]-related expenses of the Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by the Company upon the completion of the [REDACTED].

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

During 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. During the year ended 31 December 2015 and the nine months ended 30 September 2016, subsidiaries of the Company declared interim dividend of approximately HK\$28,700,000 and HK\$35,900,000, respectively, to their 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 [REDACTED]. 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 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.

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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 [REDACTED] 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.

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

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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.

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.

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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 [REDACTED] 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 [REDACTED], there has been no public market for the Shares. The initial [REDACTED] range for the Shares was the result of negotiation between the Company and the [REDACTED] (for itself and on behalf of the Underwriters), and the [REDACTED] may not be indicative of the price at which the Shares will be traded following the completion of the [REDACTED]. 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 [REDACTED], or that the trading price of the Shares will not decline below the [REDACTED].

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;
- 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;

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- 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.

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 [REDACTED]. 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

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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 [REDACTED].

RISKS RELATING TO THIS [REDACTED]

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

Certain facts, statistics and data in this [REDACTED] 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 Sole Sponsor, the [REDACTED], 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 [REDACTED] 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.

Investors should read the entire [REDACTED] 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 [REDACTED]

There may be press and media coverage regarding the Group or the [REDACTED], which may include certain events, financial information, financial projections and other information about the Group that do not appear in this [REDACTED]. The Group has not authorised the disclosure of any other information not contained in this [REDACTED]. 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 [REDACTED] is inconsistent or conflicts with the information contained in this [REDACTED] and the [REDACTED], 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 [REDACTED] and the [REDACTED].

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

Included in this [REDACTED] 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 [REDACTED].

INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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 [REDACTED] for further details.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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

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18 Harcourt Road

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[REDACTED]

[REDACTED]

[REDACTED] Underwriters

[REDACTED]

[REDACTED] Underwriters

[REDACTED]

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Wan Chai

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As to PRC law:

Hills & Co.

PRC attorneys-at-law

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Shenzhen

PRC

As to Cayman Islands law:

Appleby

Legal advisers as to Cayman Islands law

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1 Connaught Place

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DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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the [REDACTED] and the
[REDACTED]**

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PRC

Reporting accountant and auditor

BDO Limited

Certified Public Accountants

25th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

Receiving bank

[REDACTED]

CORPORATE INFORMATION

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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 [REDACTED])
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 [REDACTED]

Hong Kong Branch Share Registrar [REDACTED]

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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

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18 Harcourt Road

Hong Kong

INDUSTRY OVERVIEW

This and other sections of this [REDACTED] 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 [REDACTED], any of the Underwriters, their respective directors and officers or any other parties involved in the [REDACTED]. 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;

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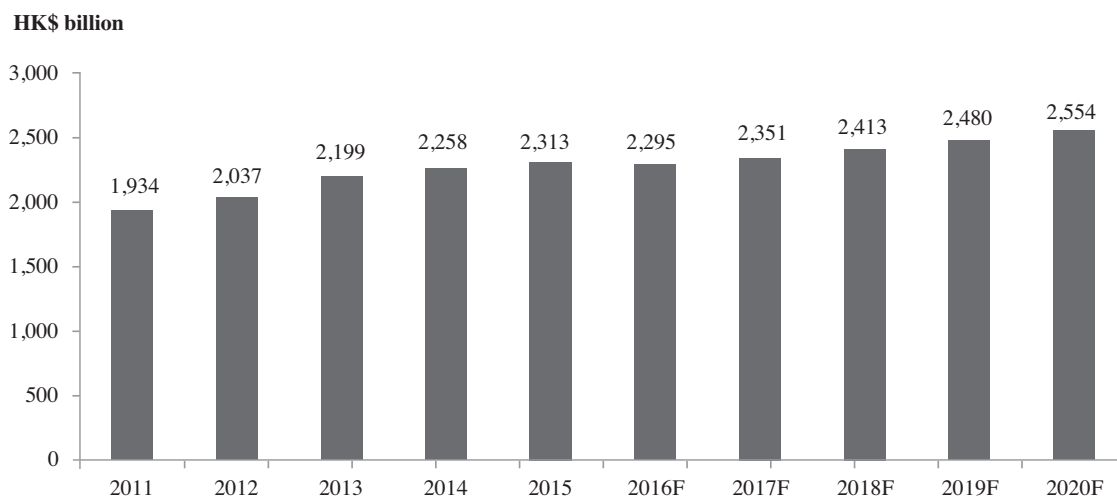
- Gross output value of construction works performed by main contractors at constructions sites in Hong Kong from 2011 to 2015 and forecast from 2016 to 2020;
- Revenue of the podium facade and curtain wall works industry from 2011 to 2015 and forecast from 2016 to 2020;
- Historical average daily wage 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

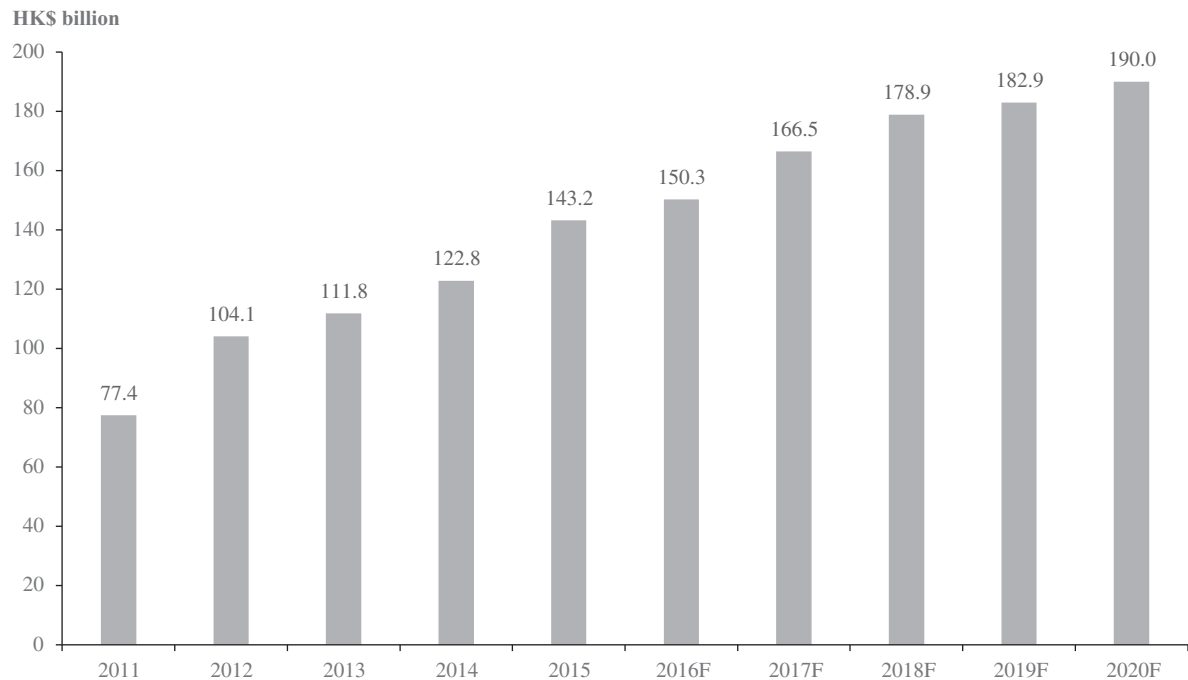


Sources: Census and Statistics Department, HKSAR; International Monetary Fund (IMF); Ipsos research and analysis

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.

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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.

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

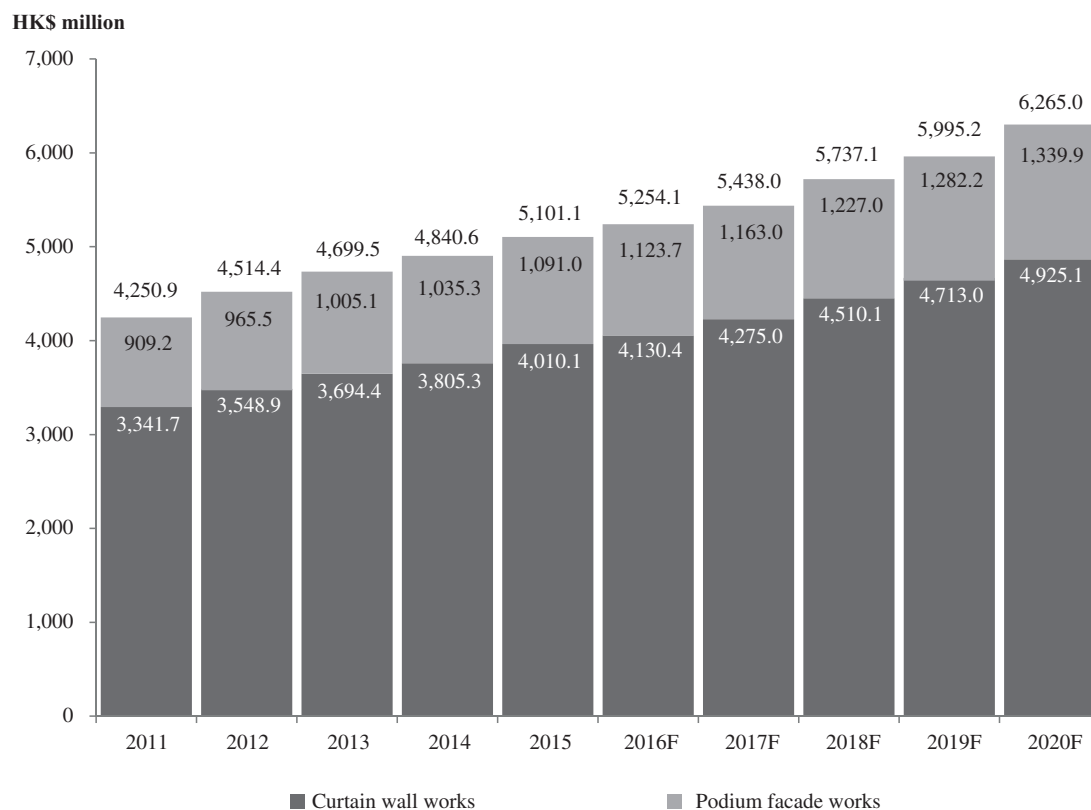
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materials, such as glass, granite and other cladding materials. Podium facade works mainly relate to the provision of engineering consulting and building services in relation to podium facade and related works to residential buildings, retail stores, 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.

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

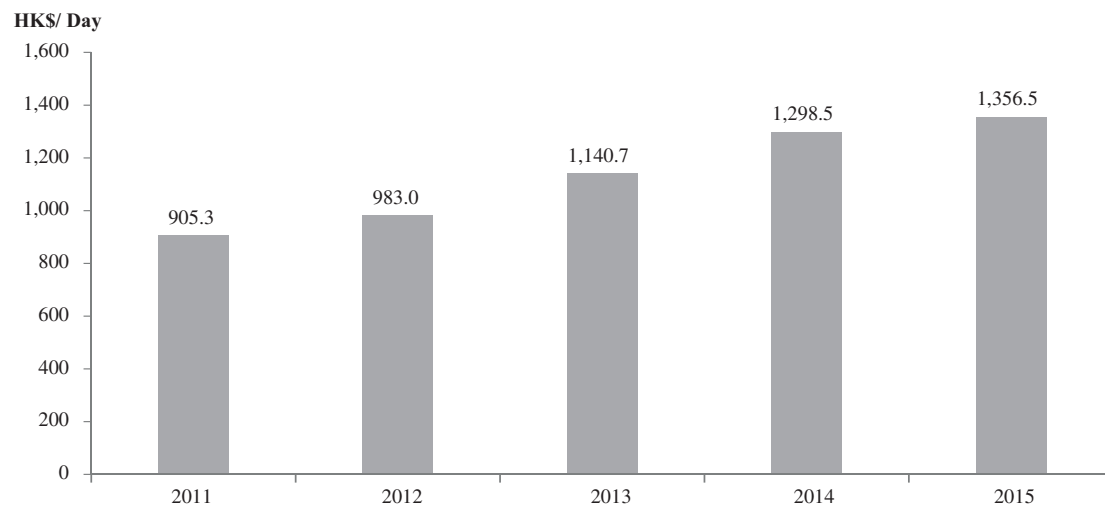


Source: Ipsos research and analysis

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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.

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

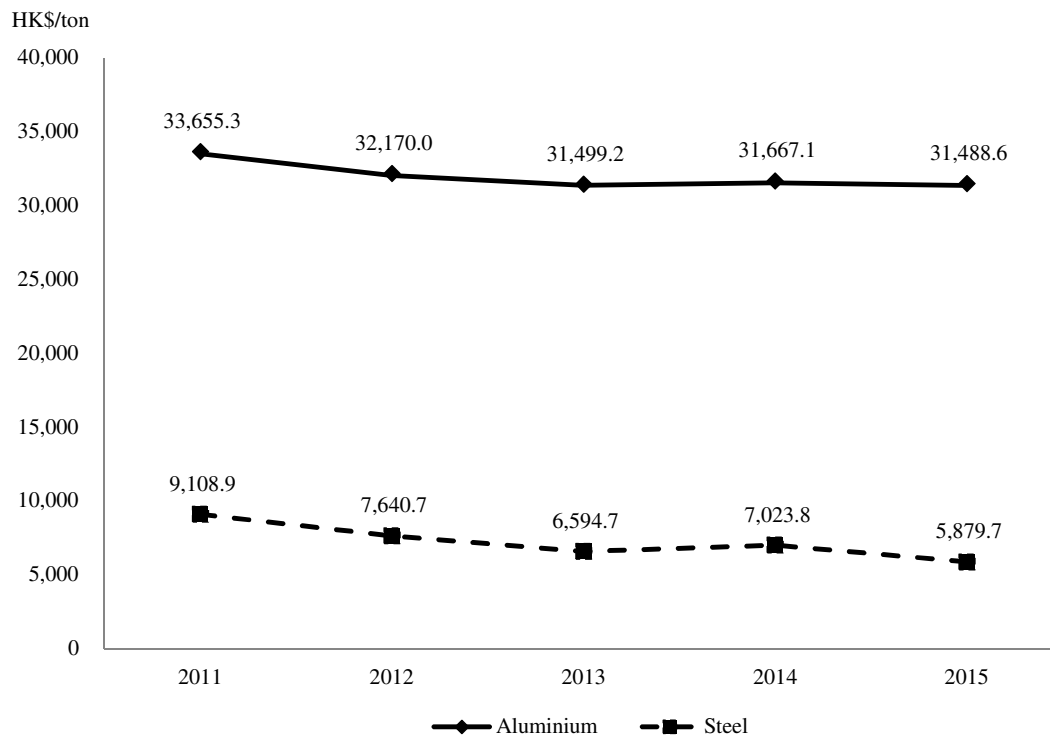
According to the Ipsos Report, the average daily wage of direct labour related to podium facade and curtain wall works industry increased significantly from approximately HK\$905.3 in 2011 to approximately HK\$1,356.5 in 2015, at a CAGR of approximately 10.6%. The increase in average daily wage was mainly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

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

Price trend of aluminium and steel in Hong Kong

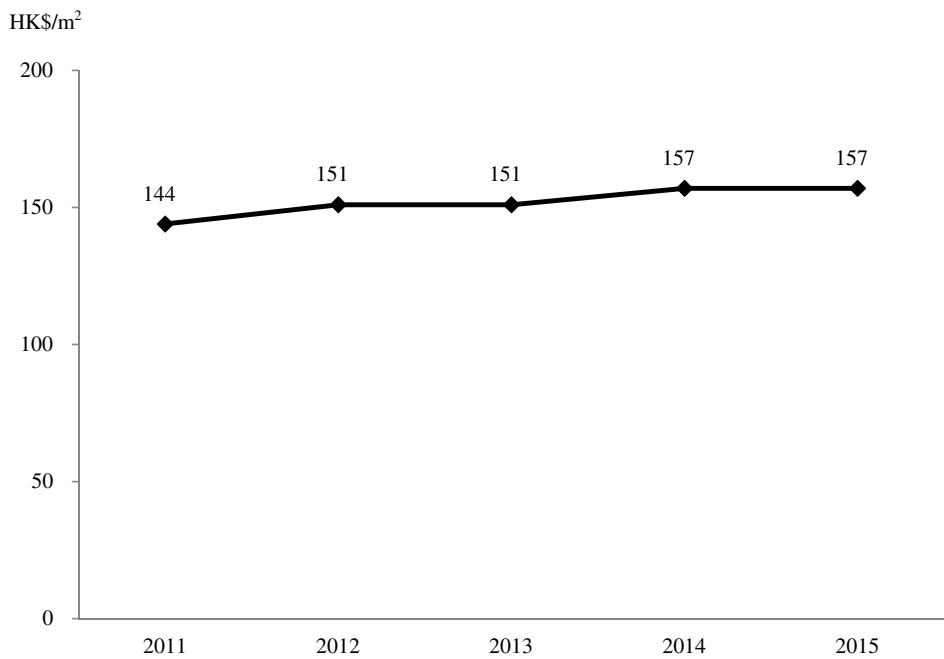


Sources: UN Comtrade; International Trade Administration (ITA), International Steel Statistic Bureau (ISSB); National Bureau of Statistics, PRC and Ipsos research and analysis

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.

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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 was also boosted with the increasing number of new residential buildings.

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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 such as Kai Tak development plan and Kowloon East development plan. These mega infrastructure projects have supported the growth of the Hong Kong construction industry since their commencement. In the future, it is expected that the demand for infrastructure will keep increasing and infrastructure projects will be the main focus of the Hong Kong construction industry in the coming years. Since podium facade and curtain wall works are required for the infrastructure projects, 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 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

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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.

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.

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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 players dominated 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 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 <i>HK\$ million</i>	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

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Company name	Principal business activities	Estimated revenue in 2015 <i>HK\$ million</i>	Market share (approximately) %
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

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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;
- (2) Class II (total of 40 items) comprises those of comparatively lower complexity and risk to safety; and

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- (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.

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

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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.

(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;

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- (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.

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> <ul 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> <ul 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; and

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3. 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.

(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

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- (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 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.

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

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

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

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

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

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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.

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.

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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.

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) and HK\$32.5 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.

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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.

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.

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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.

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;

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- (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.

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 consulting on 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 SOPL seeks 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.

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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;
- (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.

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

REGULATORY OVERVIEW

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.

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 filing 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".

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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 6 April 2004 and took effect from 1 July 2004. 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.

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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 unfixed-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.

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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本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.

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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 and came into effect on 1 January 2008, 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.

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

REGULATORY OVERVIEW

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 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

REGULATORY OVERVIEW

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 owing 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**”).

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

REGULATORY OVERVIEW

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; and (vi) deliberately providing convenience for and helping with the acts infringing upon the exclusive right to use a registered trademark; (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 [REDACTED] 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 [REDACTED], 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 [REDACTED], Luxury Booming will own [REDACTED]% 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
2012	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 [REDACTED]

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 [REDACTED] 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.

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.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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.

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.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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.

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 [●] 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:

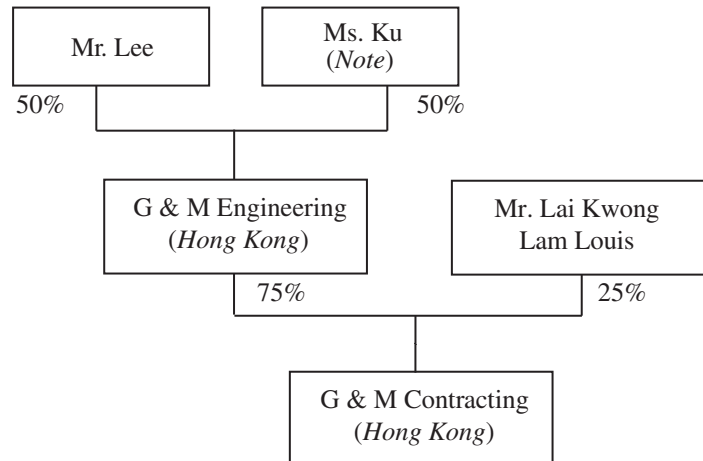
- (a) amongst each of them that they are parties acting in concert in respect of each of the members of the Group (collectively the "Relevant Companies") since the date they both hold direct or indirect shareholding interests in such Relevant Company, which shall continue the same as at and after the 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

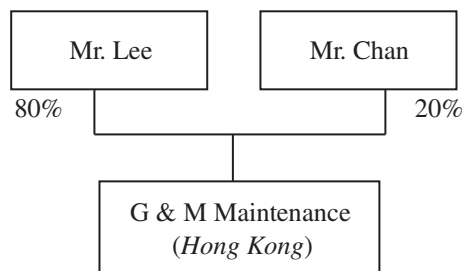
Prior to the Reorganisation, the structure of the Group was as follows:

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 [REDACTED], 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.

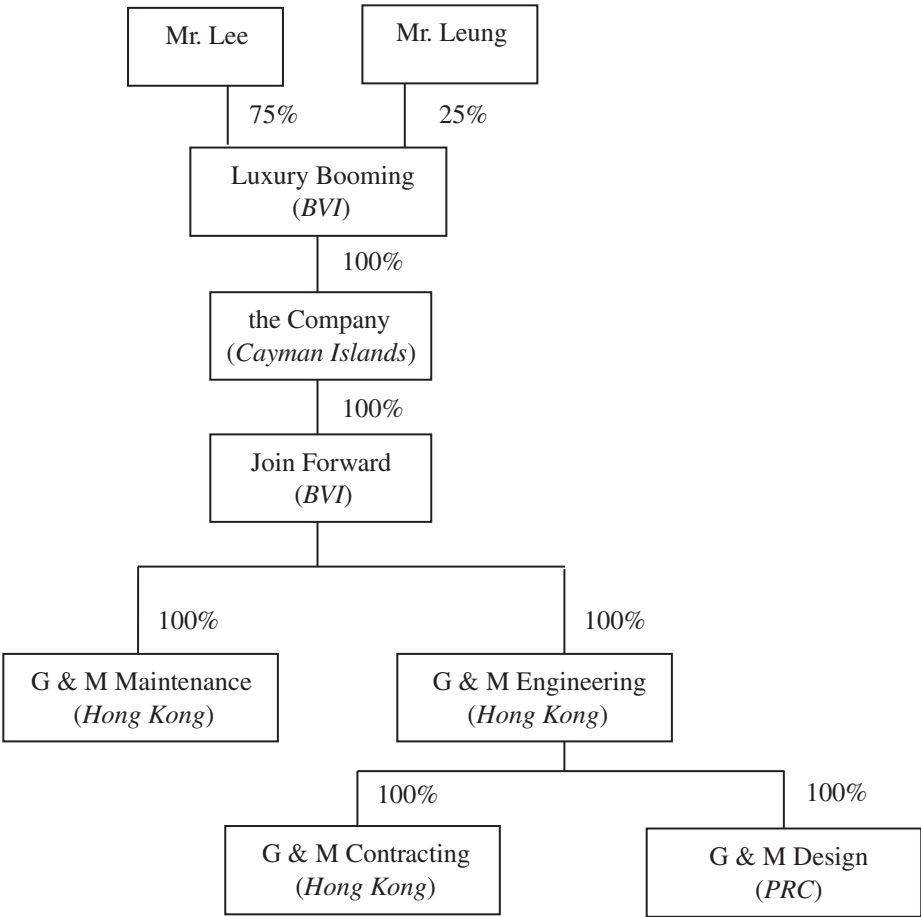
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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 [●] 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 one Share 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.

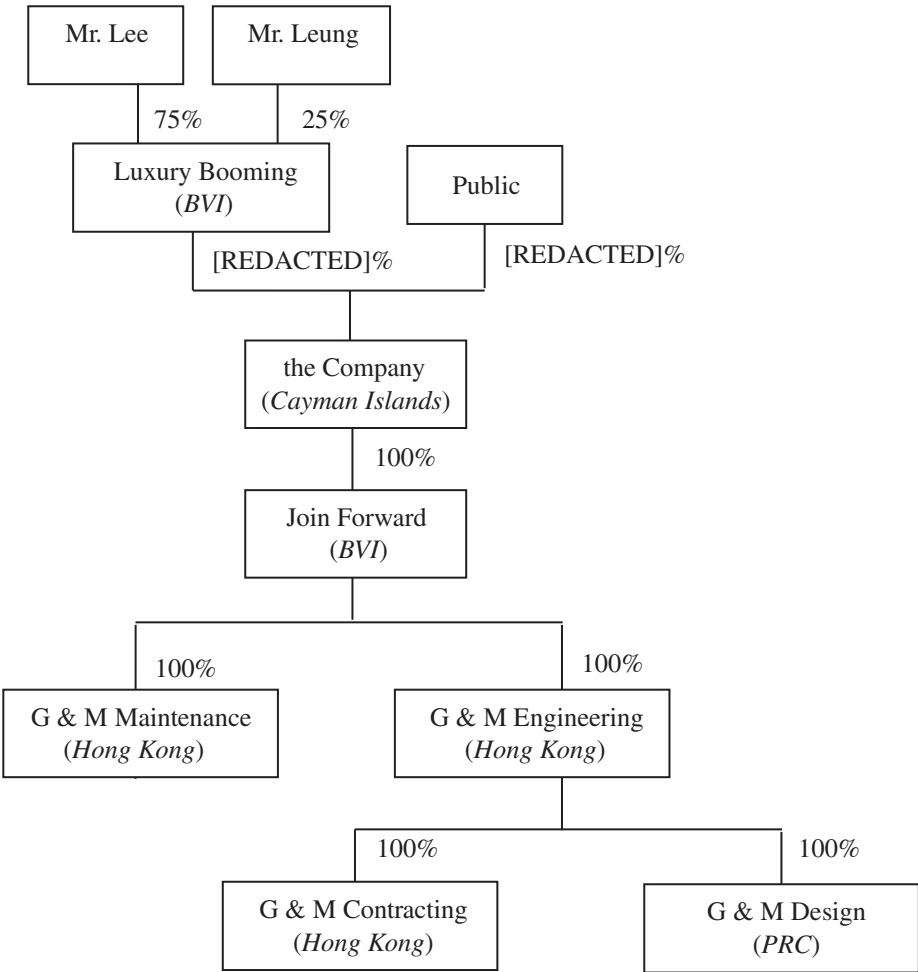
Upon completion of the Reorganisation set out above, the Company became the holding company of the Group. The following chart sets out the shareholding and corporate structure of the Group immediately after the Reorganisation but prior to completion of the [REDACTED] and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Conditional on the share premium account of the Company being credited as a result of the [REDACTED], 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 [REDACTED]% of the total issued share capital of the Company.

The following chart sets forth the shareholding structure of the Group immediately following the [REDACTED] 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 two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's revenue was mainly derived from the 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				Nine months ended 30 September			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Design and build projects								
- Podium facade and related works	121,332	80.2	195,998	89.6	135,116	89.6	175,317	86.1
- Curtain wall works	16,252	10.7	13,998	6.4	11,350	7.5	22,008	10.8
Sub-total	137,584	90.9	209,996	96.0	146,466	97.1	197,325	96.9
Repair and maintenance services	13,720	9.1	8,824	4.0	4,424	2.9	6,273	3.1
Total	151,304	100.0	218,820	100.0	150,890	100.0	203,598	100.0

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. 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.

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

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(ii) curtain wall works. For each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group undertook 21, 25 and 22 design and build projects, contributing approximately HK\$137.6 million, HK\$210.0 million and HK\$197.3 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		Nine months ended
	2014	2015	30 September 2016
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognition during the year/period			
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	2
HK\$5,000,000 to below HK\$10,000,000	3	4	2
HK\$1,000,000 to below HK\$5,000,000	8	11	9
Below HK\$1,000,000	6	5	4
Total	<u>21</u>	<u>25</u>	<u>22</u>

During the Track Record Period, the Group completed a total of 15 design and build projects, of which 12 projects were related to podium facade and related works and 3 projects were related to curtain wall works. As at 30 September 2016, the Group had a total backlog of 15 design and build projects with an aggregate backlog value of approximately HK\$497.6 million. Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group had been awarded 1 design and build project related to podium facade and related works and had completed 5 design and build projects related to podium facade and related works. For details on the Group's latest development, please refer to the section headed "Summary — Recent development" in this [REDACTED].

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.

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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\$6.3 million, respectively, representing approximately 9.1%, 4.0% and 3.1% 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 15 design and build projects, of which 12 projects were related to podium and facade and related works and 3 projects were related to curtain wall works. As at the Latest Practicable Date, the Group had 11 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\$593.0 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. Out of the Group's top five customers during the Track Record Period, the Group has maintained business relationships of over 10 years with 6 of them. 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.

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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 [REDACTED] 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. The Group is also responsible for overall project management.

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

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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 5 to 7 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.

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

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declined or did not respond to approximately 36, 41 and 14 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 [REDACTED] to strengthen the Group's available financial resources. The Group intends to utilise approximately HK\$[REDACTED] of the net proceeds as to (i) approximately HK\$[REDACTED] earmarked for the potential sizeable project which is expected to be awarded; and (ii) approximately HK\$[REDACTED] earmarked for any new potential projects. With such allocation of net proceeds from the [REDACTED], 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 expanding the Group's manpower for project execution and strengthening the skills of staff

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 4 experienced and skilled project management staff and 5 supporting staff for design and build projects; and 3 experienced supporting staff for maintenance works.

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 5 designers and 3 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.

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.

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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 10.0% 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 and 2015 and 30 September 2016, the Group utilised the 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 [REDACTED] to satisfy the surety bond requirement for future contracts, thereby allowing the Group to undertake projects of larger contract value. The Directors believe that the net proceeds from the [REDACTED] 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.

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 nine months ended 30 September 2016.

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\$[REDACTED] for purchasing certain machines and equipment that are required for the Group's curtain wall business, such as loading/unloading platform, monorail and winch gear, silicone sealant mixer and filling machine; and (ii) approximately HK\$[REDACTED] for purchasing certain machines and equipment that are required for the Group's podium and facade business, such as aluminium/steel scaffold and spider crane. The expected capital expenditure for the acquisition of the aforesaid machinery and equipment will be approximately HK\$[REDACTED] which will be financed by the net proceeds from the [REDACTED].

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In addition to the above, the Group intends to allocate approximately HK\$[REDACTED] for purchasing computers to cope with its business expansion and approximately HK\$[REDACTED] 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.

During the Track Record Period, the Group had completed a total of 15 design and build projects and a total of 157 repair and maintenance works orders. For each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's total revenue amounted to approximately HK\$151.3 million, HK\$218.8 million and HK\$203.6 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				Nine months ended 30 September			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Design and build projects								
- Podium facade and related works	121,332	80.2	195,998	89.6	135,116	89.6	175,317	86.1
- Curtain wall works	16,252	10.7	13,998	6.4	11,350	7.5	22,008	10.8
Sub-total	137,584	90.9	209,996	96.0	146,466	97.1	197,325	96.9
Repair and maintenance services	13,720	9.1	8,824	4.0	4,424	2.9	6,273	3.1
Total	151,304	100.0	218,820	100.0	150,890	100.0	203,598	100.0

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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. 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.

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 retails 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.

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.

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DESIGN AND BUILD PROJECTS OF THE GROUP

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

For each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group had been awarded 7, 7 and 8 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		Nine months ended
	2014	2015	30 September 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	8
Curtain wall works	<u>1</u>	<u>1</u>	<u>—</u>
Total	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>8</u></u>

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		Nine months ended
	2014	2015	30 September 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	—	3
Below HK\$1,000,000	<u>—</u>	<u>2</u>	<u>—</u>
Total	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>8</u></u>

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

For each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, there were 21, 25 and 22 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		Nine months ended
	2014	2015	30 September 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	20
Curtain wall works	4	4	2
Total	<u>21</u>	<u>25</u>	<u>22</u>

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/period:

	Year ended 31 December		Nine months ended
	2014	2015	30 September 2016
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognition during the year/period			
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	2
HK\$5,000,000 to below HK\$10,000,000	3	4	2
HK\$1,000,000 to below HK\$5,000,000	8	11	9
Below HK\$1,000,000	6	5	4
Total	<u>21</u>	<u>25</u>	<u>22</u>

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

For each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group had completed 4, 7 and 4 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		Nine months ended
	2014	2015	30 September 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	4
Curtain wall works	1	2	—
Total	<u>4</u>	<u>7</u>	<u>4</u>

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		Nine months ended
	2014	2015	30 September 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	—
HK\$10,000,000 to below HK\$50,000,000	4	1	3
HK\$1,000,000 to below HK\$10,000,000	—	3	1
Below HK\$1,000,000	—	1	—
Total	<u>4</u>	<u>7</u>	<u>4</u>

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The following table summarises the 15 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) <i>months</i>	Awarded contract sum (<i>Note 1</i>) <i>HK\$ million</i>	Accumulated revenue recognised prior to the Track Record Period (A) <i>HK\$ million</i>	Revenue recognised during the Track Record Period (B) <i>HK\$ million</i>	Accumulated revenue recognised upon completion (A+B) <i>HK\$ million</i>
1.	Happy Valley, Hong Kong	Podium facade and related works	48 (<i>Note 2</i>)	62.8	19.9	43.9	63.8
2.	Kam Tin, New Territories	Podium facade and related works	13	46.3	—	52.3	52.3
3.	Tseung Kwan O, New Territories	Podium facade and related works	18	43.2	31.1	16.2	47.3
4.	Tung Chung, New Territories	Podium facade and related works	17	47.3	—	47.2	47.2
5.	Tseung Kwan O, New Territories	Podium facade and related works	19	33.1	—	28.1	28.1
6.	Tsim Sha Tsui, Kowloon	Podium facade and related works	20	30.1	17.7	3.5	21.2
7.	Admiralty, Hong Kong	Podium facade and related works	10	15.3	2.7	13.8	16.5
8.	Tseung Kwan O, New Territories	Podium facade and related works	19	18.4	—	14.3	14.3
9.	Fanling, New Territories	Podium facade and related works	16	12.4	8.1	5.4	13.5
10.	Mong Kok, Kowloon	Curtain wall works	17	11.5	1.0	10.6	11.6
11.	Tin Hau, Hong Kong	Curtain wall works	18	10.8	—	9.9	9.9
12.	Tseung Kwan O, New Territories	Curtain wall works	29	10.0	1.5	8.3	9.8
13.	Tseung Kwan O, New Territories	Podium facade and related works	24	8.6	—	6.8	6.8
14.	Happy Valley, Hong Kong	Podium facade and related works	3	0.8	—	1.2	1.2
15.	Sha Tin, New Territories	Podium facade and related works	5	0.8	—	0.9	0.9

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.
- 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.

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Backlog of design and build projects

As at 31 December 2014, 2015 and 30 September 2016, the Group had 11, 11 and 15 backlog of design and build projects, 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		Nine months ended
	2014	2015	30 September 2016
Opening number of design and build projects (Note 1)	8	11	11
Number of design and build projects awarded (Note 2)	7	7	8
Number of design and build projects completed (Note 3)	<u>(4)</u>	<u>(7)</u>	<u>(4)</u>
Closing number of design and build projects (Note 4)	<u><u>11</u></u>	<u><u>11</u></u>	<u><u>15</u></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/period indicated.
2. Number of design and build projects awarded refers to design and build projects awarded to the Group during the relevant year/period indicated.
3. Number of design and build projects completed refers to design and build projects completed by the Group during the relevant year/period 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/period indicated.

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As at 31 December 2014, 2015 and 30 September 2016, the value of the Group's backlog design and build projects amounted to approximately HK\$350.5 million, HK\$282.4 million, HK\$497.6 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		Nine months ended
	2014	2015	30 September 2016
	HK\$ million	HK\$ million	HK\$ million
Opening value of backlog (<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	412.5
Revenue recognised (<i>Note 3</i>)	<u>(137.6)</u>	<u>(210.0)</u>	<u>(197.3)</u>
Closing value of backlog (<i>Note 4</i>)	<u>350.5</u>	<u>282.4</u>	<u>497.6</u>

Notes:

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

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group had been awarded 1 design and build project in relation to podium facade and related works and had completed 5 design and build projects in relation to podium facade and related works. Therefore, as at the Latest Practicable Date, the Group had 11 design and build projects on hand. For further details, please refer to the section headed "Summary — Recent development" in this [REDACTED].

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Design and build projects on hand as at the Latest Practicable Date

As at the Latest Practicable Date, the Group had 11 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.	Location	Type of works undertaken	Expected/ actual commencement month	Expected completion month	Ratio of accumulated revenue recognised up to 30 September 2016			
					Awarded contract sum (Note 1) (A) HK\$ million	Accumulated revenue recognised up to 30 September 2016 (B) HK\$ million	30 September 2016 (Note 2) (B/A) %	Amount of outstanding awarded contract sum as at 30 September 2016 (A-B) HK\$ million
1.	Tai Koo, Hong Kong	Podium facade and related works	Apr 2016	Apr 2018	199.0	4.0	2.0	195.0
2.	Nam Cheong, Kowloon	Podium facade and related works	May 2016	Dec 2017	107.1	1.4	1.3	105.7
3.	Tsim Sha Tsui, Kowloon	Podium facade and related works	Sep 2015	Apr 2017	78.7	44.8	56.9	33.9
4.	Yuen Long, New Territories	Podium facade and related works	Apr 2014	Feb 2017	58.5	38.9	66.5	19.6
5.	Yuen Long, New Territories	Podium facade and related works	Feb 2014	Sep 2018	55.5	33.6	60.5	21.9
6.	Cheung Sha Wan, Kowloon	Curtain wall works	Jul 2015	Apr 2017	28.9	23.1	79.9	5.8
7.	San Po Kong, Kowloon	Podium facade and related works	Oct 2015	May 2017	19.3	2.3	11.9	17.0
8.	Yuen Long, New Territories	Podium facade and related works	Apr 2015	Feb 2017	16.6	13.9	83.7	2.7
9.	Nam Cheong, Kowloon	Podium facade and related works	Sep 2016	Jul 2017	11.3	—	—	11.3
10.	Nam Cheong, Kowloon	Podium facade and related works	May 2016	Sep 2017	10.5	0.4	3.8	10.1
11.	Tai Koo, Hong Kong	Podium facade and related works	Nov 2016	Jul 2017	7.6	—	—	7.6

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 ratio of accumulated revenue recognised as at 30 September 2016 is calculated by dividing accumulated revenue recognised up to 30 September 2016 with the awarded contract sum multiplied by 100%.

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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 172 one-off repair and maintenance works orders and completed a total of 157 one-off repair and maintenance works orders. Details of which are set out below:

	Year ended 31 December		Nine months ended
	2014	2015	30 September 2016
Number of one-off repair and maintenance works orders received by the Group	55	86	31
Number of one-off repair and maintenance works orders completed by the Group	45	81	31

Inspection and consultancy services order

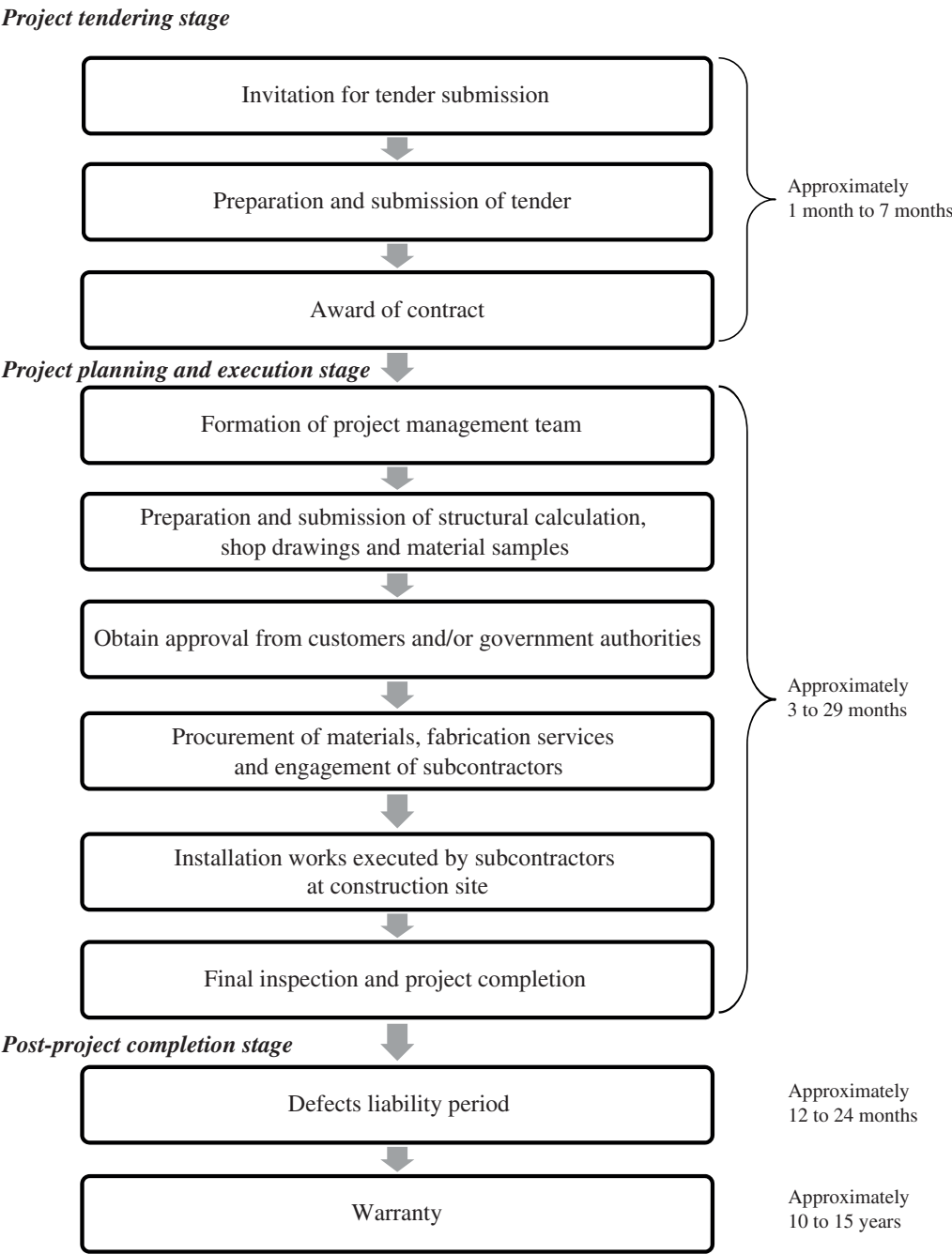
During the Track Record Period, the Group undertook and completed 1 works order for its inspection and consultancy services for curtain wall with a contract sum of approximately HK\$90,000.

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OPERATING PROCEDURES

Design and build projects

During the Track Record Period, the Group completed a total of 15 design and build projects, of which 12 projects were related to podium facade and related works and 3 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:



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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 the design and projects; (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 2 to 5 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.

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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:

	<div> <div>Year ended 31 December</div> <div>Nine months ended</div> </div>		
	2014	2015	30 September 2016
Number of tenders submitted for design and build projects	31	39	31
Number of design and build projects awarded	7	7	8
Tender success rate (%)	22.6	17.9	25.8

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.

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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\$4.9 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.

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 communicate with the executive Directors to discuss and/or update them on the project status from time to time and 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 certain machines and equipment such as vacuum lifter glazing robot and hoisting equipment, in relation to its business. 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

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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 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

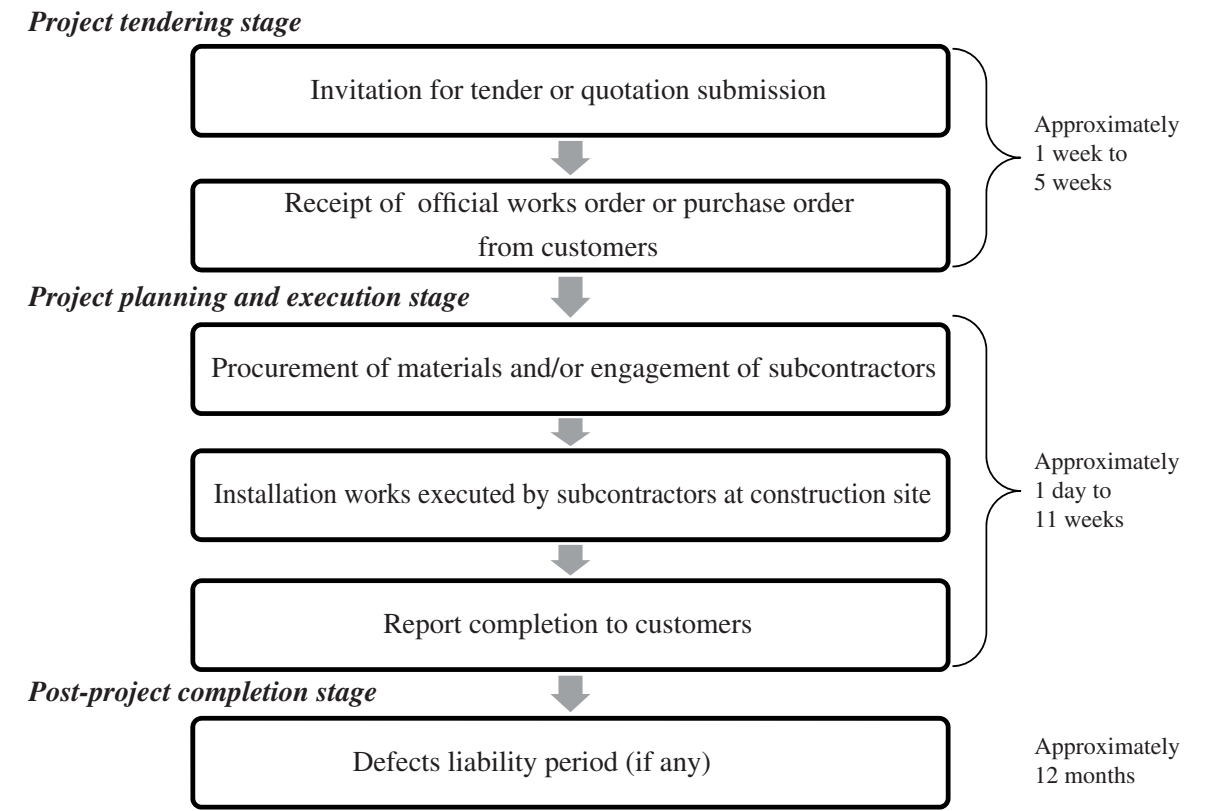
The Group generally provides a defects liability period to its customer, which begins on the practical completion date of the design and build project and normally ranges from 12 to 24 months, subject to different terms as set out in the contracts. During the defects liability period, the Group is responsible, 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 6 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.

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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 157 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 3 days to 3 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.

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

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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 needed. 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 provides a defects liability period of generally 12 months, starting from the practical completion date, for its one-off repair and maintenance works.

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</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 2017 (<i>Note 2</i>)

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Licences	Holder	Issuing authority	Type(s) of works covered	Expiry date
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 2017 (Note 3)

Notes:

1. 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 [REDACTED] for further details.
2. The Group has submitted an application for renewal of such licence for G & M Engineering to the Construction Industry Council on 5 January 2017.
3. The Group has submitted an application for renewal of such licence for G & M Maintenance to the Construction Industry Council on 13 January 2017.

Renewal of the above-mentioned registrations is required every three 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.

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.

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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 two years ended 31 December 2015 and the nine months ended 30 September 2016, the percentage of the Group's total revenue attributable to the Group's largest customer amounted to approximately 52.4%, 85.7% and 71.6%, 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.

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
Customer A	79,293	52.4
Customer B	36,859	24.4
Customer C	11,942	7.9
Customer D	5,428	3.6
Customer E	4,450	2.9
Five largest customers in aggregate	137,972	91.2
All other customers	13,332	8.8
Total revenue	<u>151,304</u>	<u>100.0</u>

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For the year ended 31 December 2015

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

For the nine months ended 30 September 2016

	Revenue for the period HK\$'000	Approximate % of the Group's total revenue for the period
Customer A	145,744	71.6
Customer H	42,768	21.0
Customer I	4,017	2.0
Customer B	2,627	1.3
Customer J	2,055	1.0
Five largest customers in aggregate	197,211	96.9
All other customers	6,387	3.1
Total revenue	<u>203,598</u>	<u>100.0</u>

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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)
Customer A	(i) and (ii)	Several subsidiaries of a property developer listed in Hong Kong and the revenue of the listed parent company for the year ended 30 June 2016 amounted to approximately HK\$91.2 billion	15 years	20 to 30 days upon submission of payment application by bank transfer
Customer B	(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 C	(i)	A subsidiary of a property developer listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2015 amounted to approximately HK\$5.9 billion	4 years	42 days upon issue of payment certificate by cheque or bank transfer
Customer D	(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 2015 amounted to approximately HK\$16.4 billion	16 years	30 days upon issue of invoice by cheque or bank transfer

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Customers	Services purchased from the Group (Note)	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Customer E	(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
Customer F	(i)	A subsidiary of a building construction service company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 March 2016 amounted to approximately HK\$2.5 billion	3 years	44 days upon issue of payment certificate by project owner by cheque
Customer G	(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 2015 amounted to approximately HK\$29.6 billion	4 years	30 days upon presentation of payment certificate by bank transfer
Customer H	(i)	A company located in Hong Kong engaging in construction business	1 year	60 days upon presentation of payment certificate by cheque

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Customers	Services purchased from the Group (Note)	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Customer I	(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
Customer J	(i)	A company located in Hong Kong engaging in interior design business	11 years	30 days upon issue of invoice by cheque

Notes:

- (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 two years ended 31 December 2015 and the nine months ended 30 September 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, Customer A, accounted for approximately 52.4%, 85.7% and 71.6% of the Group's total revenue for the same year/period, 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 [REDACTED] for the customer concentration risk.

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

- the Group has developed business relationship with Customer A since 2003. Throughout these years, the Group has accumulated an in-depth understanding of Customer A's requirements and is capable of accommodating the requests from Customer A and the Directors believe that this is a major reason for the Group having been engaged by Customer A's subsidiaries recurrently during the Track Record Period;

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- in light of the stable payment record and the listing status of Customer A, 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 Customer A; and
- the demand for the Group's services by Customer A was relatively strong and stable during the Track Record Period. For each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group received 23, 21 and 12 tender invitations for design and build projects from Customer A, respectively, of which the Group responded and submitted tender for 14, 9 and 11 invitations, respectively. The Group had been awarded with 6, 5 and 4 design and build projects for the corresponding year/period, 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 Customer A during the Track Record Period, the Directors consider that the Group's business is sustainable due to the following reasons:

- according to the Ipsos Report, due to the concentration in the property development market in Hong Kong, it is common for the construction contractors or subcontractors to rely on a few customers;
- Customer A, together with its subsidiaries, is a property developer group in Hong Kong with market capitalisation of approximately HK\$308.9 billion as at the Latest Practicable Date. According to the annual report for the year ended 30 June 2016 of Customer A, it had 26 major projects with scheduled completion date from 1 July 2016 to 30 June 2019, which the Directors consider that Customer A would provide a stable and substantial demand for the Group's services;
- the Group undertakes design and build projects of considerably different scales with project period normally ranges from approximately 3 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 for more than one financial year consecutively during the Track Record Period;
- apart from Customer A, the Group has business relationship, ranging from 1 year to 16 years, with its other top five customers during the Track Record Period, of which five of them have business relationship of more than 10 years with the Group;
- for each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group had received 44, 59 and 33 tender invitations for design and build projects from customers other than Customer A, respectively, and the Group had declined and did not respond to approximately 27, 29 and 13 invitations, respectively, and the Directors consider that, besides Customer A, 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 then be able to utilise its capacity to take up other projects from other customers; and

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- as at the Latest Practicable Date, the Group had 11 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\$593.0 million, of which the amount of outstanding awarded contract sum as at 30 September 2016 amounted to approximately HK\$437.6 million.

Having said that, the Group will strive to broaden its customer base to reduce its reliance on Customer A. In order for the Group to undertake more business from other customers, the Directors intend to apply the net proceeds from the [REDACTED] to (i) finance the net cash outflows required in the early stage of new design and build projects; (ii) further expand the Group's manpower to increase the Group's capacity to undertake more design and build projects; and (iii) further strengthen the Group's capital base and liquidity position to satisfy the surety bonds requirements for potential 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 [REDACTED].

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, but 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 shall 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 B 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 B 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 [REDACTED].

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 two years ended 31 December 2015 and the nine months ended 30 September 2016, the percentage of the Group's total purchases attributable to the Group's largest supplier amounted to approximately 32.6%, 44.0% and 29.1%, 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 64.2%, 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 nine months ended 30 September 2016

	Purchases for the period HK\$'000	Approximate % of the Group's total purchases for the period
Supplier A	16,130	29.1
Supplier G	7,374	13.3
Supplier B	5,186	9.3
Supplier H	3,832	6.9
Supplier I	3,101	5.6
Five largest suppliers in aggregate	35,623	64.2
All other suppliers	19,860	35.8
Total purchases	<u>55,483</u>	<u>100.0</u>

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 2015 amounted to approximately RMB4.5 billion	9 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	3 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	2 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 2015 amounted to approximately RMB5.0 billion	5 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	2 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 [REDACTED]. 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, but 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 30% 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 ranged 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		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Inventories			
Raw materials and consumables	<u>1,033</u>	<u>1,148</u>	<u>544</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 [REDACTED].

SUBCONTRACTORS

Profile of the Group's subcontractors

As the Group does not employ any direct labour to carry out the installation works for its projects, the Group subcontracts all the installation works to external subcontractors. During the Track Record Period, all of the Group's subcontractors were located in Hong Kong.

Major subcontractors

For each of the two years ended 31 December 2015 and the nine months ended 30 September 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 23.5%, 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 65.8%, 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 nine months ended 30 September 2016

	Subcontracting charges for the period <i>HK\$'000</i>	Approximate % of the Group's total subcontracting charges for the period
Subcontractor A	12,860	23.5
Subcontractor C	9,743	17.8
Subcontractor H	5,365	9.8
Subcontractor I	4,695	8.6
Subcontractor J	<u>3,353</u>	<u>6.1</u>
Five largest subcontractors in aggregate	36,016	65.8
All other subcontractors	<u>18,720</u>	<u>34.2</u>
Total subcontracting charges	<u><u>54,736</u></u>	<u><u>100.0</u></u>

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	4 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

BUSINESS

Subcontractor	Services provided to the Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Subcontractor C	Installation works in relation to podium facade	A company located in Hong Kong engaging in the engineering business	9 years	30 days upon receipt of invoice by cheque
Subcontractor D	Installation works in relation to glasses, aluminium and steel	A partnership located in Hong Kong engaging in the glass engineering business	3 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	5 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	3 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	5 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 H	Installation works in relation to podium facade	A sole proprietorship located in Hong Kong engaging in the glass engineering business	7 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	1 year	30 days upon receipt of invoice by cheque
Subcontractor J	Installation works in relation to podium facade	A company located in Hong Kong engaging in the decoration and design business	1 year	30 days upon receipt of invoice by cheque

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 technical capability, job reference, pricing competitiveness, labour resources and past safety performance.

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 availability, fee quotation and proposed delivery time.

BUSINESS

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 [REDACTED].

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 and environmental protection 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" and "Environmental protection" in this section.

Salient terms of subcontracting agreement

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, but 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.

BUSINESS

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 [REDACTED].

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.

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.

BUSINESS

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 [REDACTED].

HEDGING

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

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

BUSINESS

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 has recommended measures and policies to enhance 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 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 | <ul style="list-style-type: none">— 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. |
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BUSINESS

Workplace quality

1. Working conditions
 - Every employee in the Group has an employee handbook which states the employment policy.
 - 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 daily site safety inspection and prepares inspection reports.
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.

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.

BUSINESS

- | | |
|---------------------------|---|
| 2. Product responsibility | — The Group offers warranty, generally ranging from 10 years 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. |

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 the year ended 31 December 2014, 31 December 2015, nine months ended 30 September 2016 and the subsequent period up to the Latest Practicable Date, the Group recorded three, six, seven and one accident(s), respectively, which gave rise or may give rise to potential employees' compensation and personal injury claims.

BUSINESS

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. 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.

BUSINESS

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
Nine months ended 30 September 2016		
Accident rate per 1,000 workers	N/A (Note 3)	4.2
Fatality rate per 1,000 workers	N/A (Note 3)	Nil

Notes:

- 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.
- The Group's accident rate is calculated as the number of industrial accidents during the year/period 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/period and multiplied by 1,000.
- 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 (Note)
For the year ended 31 December 2014	297
For the year ended 31 December 2015	397
For the nine months ended 30 September 2016	524

Notes:

- 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/period, 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.

BUSINESS

- (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 [REDACTED].

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.

BUSINESS

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.

EMPLOYEES

Number of employees by function

As at 31 December 2014 and 2015, 30 September 2016 and the Latest Practicable Date, the Group had a total of 44, 42, 71 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 2014	As at 31 December 2015	As at 30 September 2016	As at the Latest Practicable Date
Hong Kong				
Management	6	6	8	7
Project management	23	20	23	23
Sales and marketing	1	1	1	1
Administration, accounting and finance	4	5	5	5
Procurement	—	—	1	2
Design	10	10	12	12
Sub-total	44	42	50	50

BUSINESS

	As at 31 December 2014	As at 31 December 2015	As at 30 September 2016	As at the Latest Practicable Date
The PRC				
Administration, accounting and finance	—	—	2	2
Design and shop drawing	—	—	19	21
Sub-total	<u>—</u>	<u>—</u>	<u>21</u>	<u>23</u>
Total	<u>44</u>	<u>42</u>	<u>71</u>	<u>73</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.

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.

BUSINESS

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.

Leased properties

The Group currently leased two properties and two car parks 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	Carpark No. 5, G/F. Mai Shun Industrial Building 18-24 Kwai Cheong Road Kwai Chung New Territories Hong Kong	N/A	From 1 April 2016 to 31 March 2017	An Independent Third Party	Monthly rent of HK\$3,820	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

BUSINESS

No.	Location	Gross floor area	Term/option	Lesser	Key terms of the tenancy	Use of the property
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

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

These properties leased by the Group are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As at 30 September 2016, no single property interest forming part of the Group's non-property activities had a carrying amount of 15% or more of the Group's total assets. Accordingly, this [REDACTED] is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule thereto, which require a valuation report with respect to all of the Group's interests in land or buildings, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

INTELLECTUAL PROPERTY RIGHTS

Trademark

As at the Latest Practicable Date, the Group had registered 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) Trademark" in Appendix IV to this [REDACTED].

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 [REDACTED].

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 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.
6	A claim for employee's compensation by the plaintiff in 2016, it was alleged that the plaintiff suffered from right foot 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
7	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	From February 2005 to January 2016	A glass panel supplier in Hong Kong	G & M Engineering	Approximately HK\$920,000 plus interests and costs (Note)	As at the Latest Practicable Date, the Group and the plaintiff were in negotiation on the arrangement of conducting a mediation for the case.

Note: 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 supplier 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.

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) three accidents in respect of which summons had been received and legal proceedings for employees' compensation claims have commenced and were outstanding; and (iv) four 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.

BUSINESS

Regarding the abovementioned three 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 four 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 four potential employees' compensation claims and six 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 "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 [REDACTED], 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 [REDACTED] for further details.

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 [REDACTED].

Immediately following the completion of the Capitalisation Issue and the [REDACTED] (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 [REDACTED]% 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 [REDACTED], 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 and was in the process of deregistration as at the Latest Practicable Date.

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

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

engaged 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.

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 [REDACTED] 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
- (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.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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 [REDACTED], 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 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 [REDACTED]. 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 [REDACTED].

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

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the [REDACTED] and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be [REDACTED] 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 its subsidiaries) 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; and (ii) repair and maintenance services in relation to podium facade and curtain wall works) 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.

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 where:

1. 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, and that the 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 either alone or 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

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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. each Covenantor 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
 - (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;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (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.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Committee granting the [REDACTED] of, and the permission to deal in, the Shares, as described in this [REDACTED], and (b) the [REDACTED] 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 [REDACTED].

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	16 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)	50	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	[●]	[●]	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	[●]	[●]	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)	52	[●]	[●]	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. 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 50, 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 30 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 1983. 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 [●] 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 South University of Science and Technology of China (南方科技大學) 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. Currently, he is the Vice-President (Development & External Relations), the Chair Professor of Mathematics and 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 [●] 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tai is currently a responsible officer of Investec Capital Asia Limited, which is a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, since February 2008.

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 positions in companies 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 52, was appointed as an independent non-executive Director on [●] 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.

DIRECTORS AND SENIOR MANAGEMENT

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.

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

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 (嫻淑敏)	32	2 October 2015	Financial controller and joint company secretary	Nil
Mr. LEE Baldwin (李博彥)	44	9 January 2017	Joint company secretary	Nil

DIRECTORS AND SENIOR MANAGEMENT

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.

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.

DIRECTORS AND SENIOR MANAGEMENT

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 5 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.

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 44, 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.

DIRECTORS AND SENIOR MANAGEMENT

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 [REDACTED], 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.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

For each of the two years ended 31 December 2015 and the nine months ended 30 September 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\$2.5 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\$4.0 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 two years ended 31 December 2015 and the nine months ended 30 September 2016 by the Group to the Directors.

Under the arrangements currently proposed, conditional upon the [REDACTED], 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.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit committee

The Company established an audit committee on [●] 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 [●] 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.

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 [●] 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

DIRECTORS AND SENIOR MANAGEMENT

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;
- (3) where the Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in the [REDACTED] or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the [REDACTED]; 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 [REDACTED] 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 [REDACTED].

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the [REDACTED] 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 [REDACTED]	Approximate percentage of interests in the Company as at the date of this [REDACTED]	Number of Shares held immediately after completion of the [REDACTED] and the Capitalisation Issue	Approximate percentage of interests in the Company immediately after completion of the [REDACTED] and the Capitalisation Issue
Luxury Booming (Note 1)	Beneficial owner	1 Share	100%	[REDACTED] Shares	[REDACTED]%
Mr. Lee (Note 1)	Interest in a controlled corporation; interest held jointly with another person	1 Share	100%	[REDACTED] Shares	[REDACTED]%
Mr. Leung (Note 1)	Interest in a controlled corporation; interest held jointly with another person	1 Share	100%	[REDACTED] Shares	[REDACTED]%
Ms. Lam (Note 2)	Interest of spouse	1 Share	100%	[REDACTED] Shares	[REDACTED]%
Ms. Ku (Note 3)	Interest of spouse	1 Share	100%	[REDACTED] Shares	[REDACTED]%

Notes:

- Luxury Booming is the registered and beneficial owner holding [REDACTED]% 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.
- 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.
- 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.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the completion of the [REDACTED] 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 [REDACTED], 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 HK\$

10,000,000,000	Shares of par value HK\$0.01 each	100,000,000.00
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Issued share capital HK\$

[2]	Shares in issue upon completion of the Reorganisation	[0.02]
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Total number of Shares issued and to be issued upon completion of the Capitalisation and the [REDACTED]	[REDACTED]

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 [REDACTED] represent not less than 25% of the issued share capital of the Company upon [REDACTED].

RANKING

The [REDACTED] will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this [REDACTED], 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 [REDACTED].

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on [●] 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 [REDACTED]. 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 [●] 2017, subject to the share premium account of the Company being credited as a result of the [REDACTED], the Directors were authorised to allot and issue a total of [REDACTED] 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 [●] 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\$[REDACTED] 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 [REDACTED] — [REDACTED]” in this [REDACTED], 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 [REDACTED] 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 [REDACTED].

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the [REDACTED] — [REDACTED]” in this [REDACTED], 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 [REDACTED] 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 [REDACTED].

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 [REDACTED].

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 [REDACTED]. 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 [REDACTED].

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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 [REDACTED]. 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 [REDACTED].

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 two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's total revenue amounted to approximately HK\$151.3 million, HK\$218.8 million and HK\$203.6 million, respectively. Of such amount, approximately 90.9%, 96.0% and 96.9% was attributable to the Group's design and build projects, respectively, while the remaining approximately 9.1%, 4.0% and 3.1% 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\$66.2 million for each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, respectively. The Group recorded profit for the year/period of approximately HK\$31.3 million, HK\$46.5 million and HK\$41.7 million for each of the two years ended 31 December 2015 and the nine months ended 30 September 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 [REDACTED], the Group had undergone the Reorganisation after which the Company has become the holding company of the Group since [●] 2017. Please refer to the section headed "History, Reorganisation and corporate structure — Reorganisation" in this [REDACTED] for details.

The financial information set out in the Accountants' Report in Appendix I to this [REDACTED] has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the Track Record Period.

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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 and 2015 and 30 September 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 [REDACTED].

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 [REDACTED].

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 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.

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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, sub-standard 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\$56.1 million, respectively, representing approximately 36.0%, 40.8% and 40.8% of the Group's total cost of revenue during each of the two years ended 31 December 2015 and the nine months ended 30 September 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 the installation works to external subcontractors. The Group's subcontracting charges amounted to approximately HK\$35.8 million, HK\$57.3 million and HK\$54.7 million, respectively, representing approximately 35.5%, 38.8% and 39.8% of the Group's total cost of revenue for the corresponding year/period, 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 availability, fee quotation, proposed delivery time and other commercial and technical terms. 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 [REDACTED] 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 [REDACTED], which conform with the HKFRSs.

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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. For further details, please refer to note 5 of the Accountant's Report set out in Appendix I to this [REDACTED].

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 [REDACTED]. As such, the following sections should be read in conjunction with the Accountant's Report set out in Appendix I to this [REDACTED].

	Year ended		Nine months ended	
	31 December		30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Revenue	151,304	218,820	150,890	203,598
Cost of revenue	<u>(100,911)</u>	<u>(147,753)</u>	<u>(97,661)</u>	<u>(137,443)</u>
Gross profit	50,393	71,067	53,229	66,155
Other income, gains and losses	544	588	438	14
Administrative and other operating expenses	(13,274)	(14,141)	(10,321)	(13,597)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	<u>(324)</u>	<u>(466)</u>	<u>(340)</u>	<u>(322)</u>
Profit before income tax	37,339	55,863	43,006	50,562
Income tax expense	<u>(6,074)</u>	<u>(9,371)</u>	<u>(7,116)</u>	<u>(8,835)</u>
Profit for the year/period	<u>31,265</u>	<u>46,492</u>	<u>35,890</u>	<u>41,727</u>

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	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
- Change in fair value of available-for-sale investments	(74)	—	(266)	—
- 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	—	—	—	(22)
	(141)	(37)	(266)	(22)
Total comprehensive income for the year/period	<u>31,124</u>	<u>46,455</u>	<u>35,624</u>	<u>41,705</u>
Total comprehensive income for the year/period attributable to:				
Owners of the Company	30,612	46,131	35,434	41,680
Non-controlling interests	<u>512</u>	<u>324</u>	<u>190</u>	<u>25</u>
Total comprehensive income for the year/period	<u>31,124</u>	<u>46,455</u>	<u>35,624</u>	<u>41,705</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				Nine months ended 30 September			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Design and build projects								
- Podium facade and related works	121,332	80.2	195,998	89.6	135,116	89.6	175,317	86.1
- Curtain wall works	16,252	10.7	13,998	6.4	11,350	7.5	22,008	10.8
Sub-total	137,584	90.9	209,996	96.0	146,466	97.1	197,325	96.9
Repair and maintenance services	13,720	9.1	8,824	4.0	4,424	2.9	6,273	3.1
Total	<u>151,304</u>	<u>100.0</u>	<u>218,820</u>	<u>100.0</u>	<u>150,890</u>	<u>100.0</u>	<u>203,598</u>	<u>100.0</u>

FINANCIAL INFORMATION

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		Year ended 31 December		Nine months ended 30 September		Nine months ended 30 September	
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					<i>(unaudited)</i>			
Material and processing charges	36,314	36.0	60,249	40.8	41,994	43.0	56,088	40.8
Subcontracting charges	35,791	35.5	57,337	38.8	33,555	34.4	54,736	39.8
Project staff costs	13,648	13.5	16,137	10.9	12,446	12.7	17,145	12.5
Others	15,158	15.0	14,030	9.5	9,666	9.9	9,474	6.9
Total	100,911	100.0	147,753	100.0	97,661	100.0	137,443	100.0

(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 two years ended 31 December 2015 and the nine months ended 30 September 2016, material and processing charges of the Group amounted to approximately HK\$36.3 million, HK\$60.2 million and HK\$56.1 million, respectively, representing approximately 36.0%, 40.8% and 40.8% of the Group's total cost of revenue for the corresponding year/period, respectively.

The following table sets forth a breakdown of the Group's material and processing charges by types of materials:

	Year ended 31 December		Year ended 31 December		Nine months ended 30 September		Nine months ended 30 September	
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					<i>(unaudited)</i>			
Aluminium	15,554	42.9	26,711	44.3	17,931	42.7	27,349	48.7
Metal	9,385	25.8	17,699	29.4	12,591	30.0	12,089	21.6
Glass	5,973	16.4	6,557	10.9	5,067	12.1	7,948	14.2
Silicone sealant	1,181	3.3	1,977	3.3	1,318	3.1	2,292	4.1
Others	4,221	11.6	7,305	12.1	5,087	12.1	6,410	11.4
	36,314	100.0	60,249	100.0	41,994	100.0	56,088	100.0

FINANCIAL INFORMATION

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 Hong Kong Special Administrative Region:

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 nine months ended 30 September 2016	-1,683	-2,524	+1,683	+2,524
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 nine months ended 30 September 2016	-1,405	-2,108	+1,405	+2,108

Note: The Hong Kong Profits Tax rate of 16.5% is applied for the illustration of increase or decrease in profit for the year/period

(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 two years ended 31 December 2015 and the nine months ended 30 September 2016, subcontracting charges of the Group amounted to approximately HK\$35.8 million, HK\$57.3 million and HK\$54.7 million, respectively, representing approximately 35.5%, 38.8% and 39.8% of the Group's total cost of revenue for the corresponding year/period, respectively.

FINANCIAL INFORMATION

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%
	<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	-1,790	-5,727	+1,790	+5,727
the year ended 31 December 2015	-2,867	-9,174	+2,867	+9,174
the nine months ended 30 September 2016	-2,737	-8,758	+2,737	+8,758
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 nine months ended 30 September 2016	-2,285	-7,313	+2,285	+7,313

Note: The Hong Kong Profits Tax rate of 16.5% is applied for the illustration of increase or decrease in profit for the year/period

(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 two years ended 31 December 2015 and the nine months ended 30 September 2016, project staff costs of the Group amounted to approximately HK\$13.6 million, HK\$16.1 million and HK\$17.1 million, respectively, representing approximately 13.5%, 10.9% and 12.5% of the Group's total cost of revenue for the corresponding year/period, respectively.

(iv) Others

Others mainly represent design fee, scaffolding and platform, insurance, inspection and testing fee and transportation costs etc. For each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, other cost of revenue of the Group amounted to approximately HK\$15.2 million, HK\$14.0 million and HK\$9.5 million, respectively, representing approximately 15.0%, 9.5% and 6.9% of the Group's total cost of revenue for the corresponding year/period, 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				Nine months ended 30 September			
	2014		2015		2015		2016	
	<i>Gross profit margin</i>		<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>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>							
Design and build projects								
- Podium facade and related works	42,607	35.1	62,931	32.1	47,058	34.8	58,313	33.3
- Curtain wall works	4,563	28.1	5,035	36.0	4,376	38.6	5,467	24.8
Sub-total/overall	47,170	34.3	67,966	32.4	51,434	35.1	63,780	32.3
Repair and maintenance services	3,223	23.5	3,101	35.1	1,795	40.6	2,375	37.9
Total/overall	50,393	33.3	71,067	32.5	53,229	35.3	66,155	32.5

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		Nine months ended	
	31 December	31 December	30 September	30 September
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Bank interest income	111	74	74	4
Dividend income from investments	63	69	45	—
Interest income from held-to-maturity investments	237	470	299	—
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	20	(16)
Others	19	18	—	26
Total	544	588	438	14

FINANCIAL INFORMATION

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		Nine months ended 30 September	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Staff salaries and benefits	7,143	6,961	5,238	4,624
Travel and entertainment expenses	1,602	1,406	1,032	1,074
Directors' emoluments	1,274	1,254	933	2,530
Office rental and utilities	863	1,030	773	1,635
Depreciation on property, plant and equipment	519	535	404	1,052
Motor vehicles expenses	502	513	344	287
Bank charges	291	398	372	418
Insurance expenses	244	258	233	256
Repairs and maintenance expenses	115	159	146	352
Legal and professional fees	60	281	53	642
Auditor's remuneration	58	312	185	225
Write off of property, plant and equipment	11	—	—	6
Others	592	1,034	608	496
Total	13,274	14,141	10,321	13,597

Finance costs

The following table sets forth a breakdown of the Group's finance costs during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interest on bank borrowings	307	452	329	315
Interest element of finance lease payments	17	14	11	7
Total	324	466	340	322

FINANCIAL INFORMATION

Income tax expense

The Group's income tax expenses for the year/period can be reconciled to the profit before taxation in the combined statement of comprehensive income as follows:

	Year ended		Nine months ended	
	31 December		30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Profit before income tax	<u>37,339</u>	<u>55,863</u>	<u>43,006</u>	<u>50,562</u>
Tax calculated at Hong Kong Profits Tax rate of 16.5%	6,161	9,217	7,096	8,343
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	—	—	29
Tax effect of revenue not taxable for tax purposes	(11)	(12)	(7)	—
Tax effect of expenses not deductible for tax purposes	13	218	37	363
Tax effect of temporary differences not recognised	(29)	(12)	(10)	(28)
Under-provision in respect of prior years	—	—	—	128
Others	<u>(60)</u>	<u>(40)</u>	<u>—</u>	<u>—</u>
Income tax expense	<u>6,074</u>	<u>9,371</u>	<u>7,116</u>	<u>8,835</u>

For each of the two years ended 31 December 2015 and nine months 30 September 2016, the Group recorded income tax expense of approximately HK\$6.1 million, HK\$9.4 million and HK\$8.8 million, respectively. The following table sets forth the Group's effective tax rate during the Track Record Period:

	Year ended		Nine months ended	
	31 December		30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Profit before income tax	37,339	55,863	43,006	50,562
Income tax expense	6,074	9,371	7,116	8,835
Effective tax rate	16.3%	16.8%	16.5%	17.5%

FINANCIAL INFORMATION

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) 7 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

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

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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 60.1%. 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 year ended 31 December 2014 and 2015 respectively were as follows:

	For the year ended 31 December	
	2014	2015
Revenue (HK\$'000)	151,304	218,820
Gross profit (HK\$'000)	50,393	71,067
Gross profit margin	33.3%	32.5%

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 corresponding year.

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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 49.9%. 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 is similar to the Hong Kong Profits Tax Rate of 16.5%.

Profit for the year and total comprehensive income for the year attributable to the 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 the owners of the Company increased by approximately HK\$15.5 million or 50.1% 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.

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Nine months ended 30 September 2016 compared with the nine months ended 30 September 2015

Revenue

Revenue of the Group increased by approximately HK\$52.7 million or 34.9% from approximately HK\$150.9 million for the nine months ended 30 September 2015 to approximately HK\$203.6 million for the nine months ended 30 September 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 nine months ended 30 September 2016 as illustrated in the table below:

	For the nine months ended 30 September	
	2015	2016
Revenue recognised		
HK\$10 million or above	5	7
HK\$1 million to below HK\$10 million	9	11
Below HK\$1 million	<u>9</u>	<u>4</u>
	<u><u>23</u></u>	<u><u>22</u></u>

Costs of revenue

Cost of revenue of the Group increased by approximately HK\$39.7 million or 40.7% from approximately HK\$97.7 million for the nine months ended 30 September 2015 to approximately HK\$137.4 million for the nine months ended 30 September 2016, of which the material and processing charges and subcontracting charges increased by approximately 33.6% and 63.1%, respectively. Such increase was generally in line with the growth in the Group's revenue for the corresponding period.

During various stages of work progress, the Group's projects proceed to more labour-intensive procedures upon the commencement of the installation stage. The higher-than-proportion increase in subcontracting charges was mainly attributable to the increased installation works required for two projects undertaken by the Group during the nine months ended 30 September 2016, which included a project in relation to the supply and installation works of curtain wall, glass wall for a podium in Yuen Long and another project in relation to podium facade works of a commercial building in Tsim Sha Tsui.

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Gross profit and gross profit margin

Gross profit of the Group for the nine months ended 30 September 2015 and 2016, respectively were as follows:

	For the nine months ended 30 September	
	2015	2016
	<i>(unaudited)</i>	
Revenue (HK\$'000)	150,890	203,598
Gross profit (HK\$'000)	53,229	66,155
Gross profit margin	35.3%	32.5%

Gross profit amounted to approximately HK\$53.2 million and approximately HK\$66.2 million for the nine months ended 30 September 2015 and 2016, respectively, representing an increase of approximately 24.3%. The higher gross profit margin recorded by the Group during the nine months ended 30 September 2015 was mainly attributable to the fact that the Group undertook certain projects with relatively higher gross profit margins during the period, such as a project in relation to the supply and installation works of curtain wall, glass wall for a footbridge in Yuen Long which contributed approximately HK\$26.6 million to the Group's revenue for the nine months ended 30 September 2015 with a gross profit margin of approximately 40% for the nine months ended 30 September 2015.

Other income, gains and losses

Other income, gains and losses of the Group decreased by approximately HK\$424,000 or 96.8% from approximately HK\$438,000 for the nine months ended 30 September 2015 to approximately HK\$14,000 for the nine months ended 30 September 2016. Such decrease was primarily due to nil dividend income from investments and interest income from held-to-maturity investments during the nine months ended 30 September 2016 whereas that for the nine months ended 30 September 2015, those amounted to approximately HK\$45,000 and HK\$299,000, respectively, and the decrease in bank interest income of approximately HK\$70,000 during the corresponding period.

Administrative and other operating expenses

Administrative and other operating expenses of the Group increased by approximately HK\$3.3 million or 31.7% from approximately HK\$10.3 million for the nine months ended 30 September 2015 to approximately HK\$13.6 million for the nine months ended 30 September 2016. Such increase was mainly attributable to the increase in (i) depreciation charge of approximately HK\$0.6 million; (ii) directors' emoluments of approximately HK\$1.6 million; (iii) office rental and utilities expenses of approximately HK\$0.9 million; and (iv) legal and professional fee of approximately HK\$0.6 million, which was partly offset by the decrease in staff salaries and benefits of approximately HK\$0.6 million for the corresponding period.

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Finance costs

Finance costs of the Group for the nine months ended 30 September 2016 amounted to approximately HK\$322,000, which is similar to that of approximately HK\$340,000 for the nine months ended 30 September 2015.

Income tax expense

Income tax expense of the Group increased by approximately HK\$1.7 million or 24.2% from approximately HK\$7.1 million for the nine months ended 30 September 2015 to approximately HK\$8.8 million for the nine months ended 30 September 2016. Such increase was primarily due to the increase in the Group's profit before tax from approximately HK\$43.0 million for the nine months ended 30 September 2015 to approximately HK\$50.6 million for the nine months ended 30 September 2016, representing an increase of approximately 17.6%. For the nine months ended 30 September 2015, the effective tax rate of the Group amounted to approximately 16.5%, which is similar to the Hong Kong Profits Tax Rate of 16.5%, whereas the effective tax rate of the Group for the nine months ended 30 September 2016 amounted to approximately 17.5%. The increase in the effective tax rate of the Group was mainly due to the operation of a wholly-owned subsidiary in the PRC that commenced during the period and hence it is also subject to the enterprise income tax in the PRC at a statutory tax rate of 25% and the non-deductible [REDACTED] expenses and professional fee incurred during the nine months ended 30 September 2016.

Profit for the period and total comprehensive income for the period attributable to the owners of the Company

Profit for the period of the Group increased by approximately HK\$5.8 million or 16.8% from approximately HK\$35.9 million for the nine months ended 30 September 2015 to approximately HK\$41.7 million for the nine months ended 30 September 2016 due to the combined effect of the aforementioned items.

Total comprehensive income for the period attributable to the owners of the Company increased by approximately HK\$6.3 million or 17.6% from approximately HK\$35.4 million for the nine months ended 30 September 2015 to approximately HK\$41.7 million for the nine months ended 30 September 2016.

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 [REDACTED] and, if necessary, additional equity financing when there are capital needs.

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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		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Net cash generated from/ (used in) operating activities	12,583	95,463	79,149	(3,883)
Net cash generated from/ (used in) investing activities	3,772	608	(1,541)	(20,308)
Net cash generated from/ (used in) financing activities	<u>2,717</u>	<u>(33,086)</u>	<u>(30,506)</u>	<u>(31,158)</u>
Increase/ (decrease) in cash and cash equivalents	19,072	62,985	47,102	(55,349)
Cash and cash equivalents at the beginning of the year/period	<u>33,046</u>	<u>52,118</u>	<u>52,118</u>	<u>115,103</u>
Cash and cash equivalents at the end of the year/period	<u><u>52,118</u></u>	<u><u>115,103</u></u>	<u><u>99,220</u></u>	<u><u>59,754</u></u>

Cash flows from operating activities

The Group derives cash inflow from operating activities primarily from the receipt of payments from contract work. 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 amount 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 amount 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.

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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 amount 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 amount 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.

Nine months ended 30 September 2016

For the nine months ended 30 September 2016, the Group recorded net cash used in operating activities of approximately HK\$3.9 million, primarily attributable to profit before income tax of approximately HK\$50.6 million; adjusted to reflect mainly (i) depreciation of property, plant and equipment of approximately HK\$1.1 million; (ii) interest expenses of approximately HK\$322,000; (iii) a decrease in amount due from customers of contract works of approximately HK\$7.7 million; (iv) an increase in trade and other receivables of approximately HK\$52.7 million; (v) a decrease in trade and other payables of approximately HK\$4.5 million; (vi) an increase in amount due to customers of contract works of approximately HK\$8.0 million; (vii) change in balance with a Director of approximately HK\$1.2 million; and (viii) income tax paid of approximately HK\$13.7 million.

Cash flows from investment 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 proceed from redemption of held-to-maturity investments of approximately HK\$2.4 million, which was partially offset by an increase in pledge bank deposits of approximately HK\$5.1 million.

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 pledge bank deposits of approximately HK\$4.5 million; (ii) proceeds from redemption of held-to-maturity investments of

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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.

Nine months ended 30 September 2016

For the nine months ended 30 September 2016, the Group recorded net cash used in investing activities of approximately HK\$20.3 million mainly due to an increase in pledge bank deposits of approximately HK\$17.0 million and acquisition of acquisition of property, plant and equipment of approximately HK\$2.9 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.

Nine months ended 30 September 2016

For the nine months ended 30 September 2016, the Group recorded net cash used in financing activities of approximately HK\$31.2 million mainly due to (i) the repayment of bank borrowings of approximately HK\$18.0 million; (ii) dividends payment of approximately HK\$35.9 million; and (iii) deemed distribution to a controlling shareholder of approximately HK\$5.6 million, which was partially offset by the proceeds from bank borrowings of approximately HK\$30.3 million.

CAPITAL EXPENDITURES

During each of the two years ended 31 December 2015 and the nine months ended 30 September 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\$3.8 million, respectively.

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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 [REDACTED]. 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 [REDACTED], 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 [REDACTED].

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 30	As at 30
	2014	2015	September	November
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>
Current assets				
Inventories	1,033	1,148	544	1,012
Amounts due from customers of contract works	42,910	19,954	12,237	13,673
Trade and other receivables	23,248	18,927	71,674	61,640
Amount due from a director	—	7,646	8,876	8,876
Held-to-maturity investments	2,850	—	—	—
Pledged bank deposits	8,717	4,205	21,209	21,210
Cash and bank balances	<u>52,118</u>	<u>115,103</u>	<u>59,754</u>	<u>83,487</u>
	<u>130,876</u>	<u>166,983</u>	<u>174,294</u>	<u>189,898</u>

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	As at 31 December		As at 30 September	As at 30 November
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current liabilities				
Amounts due to customers of contract works	15,948	18,927	26,888	34,842
Trade and other payables	29,290	43,737	39,296	46,432
Amount due to a director	1,058	—	—	—
Tax payable	8,022	12,254	7,410	9,136
Bank borrowings	11,316	7,600	19,819	11,777
Obligation under finance lease	201	207	212	195
	<u>65,835</u>	<u>82,725</u>	<u>93,625</u>	<u>102,622</u>
Net current assets	<u>65,041</u>	<u>84,258</u>	<u>80,669</u>	<u>87,276</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.

The Group's net current assets decreased by approximately HK\$3.6 million as at 30 September 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\$41.7 million and offset by dividend of approximately HK\$35.9 million, deemed distribution to a controlling shareholder of approximately HK\$5.6 million and acquisition of non-controlling interest of approximately HK\$1.4 million; such decrease can be analysed as (i) a decrease of approximately HK\$55.3 million in cash and bank balances; (ii) an increase of approximately HK\$12.2 million in bank borrowings; and (iii) the increase of approximately HK\$8.0 million in amounts due to customers of contract works, while partially offset by (iv) an increase of approximately HK\$52.7 million in trade and other receivables and (v) an increase of approximately HK\$17.0 million in pledged bank deposits.

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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		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Inventories			
Raw materials and consumables	<u>1,033</u>	<u>1,148</u>	<u>544</u>

As at 31 December 2014, 2015 and 30 September 2016, the Group's inventory amounted to approximately HK\$1.0 million, HK\$1.1 million and HK\$0.5 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.

As at 30 November 2016, approximately HK\$544,000 or 100.0% of the Group's inventories as at 30 September 2016 were subsequently used.

The following table sets forth the Group's inventory turnover days during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September
	2014	2015	2016
Inventory turnover days	1.4	1.8	1.1

Note: Inventory turnover days is calculated based on the average of the beginning and ending balance of inventory divided by revenue for the year/period and multiplied by the number of days of the year/period (i.e. 365 days for a full year and 274 days for the period).

During each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's inventory turnover days amounted to approximately 1.4 days, 1.8 days and 1.1 days. Due to the nature of the Group's inventory, which raw materials are stored in the factories of its suppliers to be further fabricated shortly, therefore the Group has relatively short inventory turnover days.

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AMOUNT 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		As at 30
	2014	2015	September
	<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	665,896
Less: Progress billings to date	<u>(619,109)</u>	<u>(784,754)</u>	<u>(680,547)</u>
	<u>26,962</u>	<u>1,027</u>	<u>(14,651)</u>
Amounts due from customers of contract works	42,910	19,954	12,237
Amounts due to customers of contract works	<u>(15,948)</u>	<u>(18,927)</u>	<u>(26,888)</u>
	<u>26,962</u>	<u>1,027</u>	<u>(14,651)</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 work will be recognised as current assets of the Group.

As at 31 December 2014, 2015 and 30 September 2016, the Group had (i) amounts due from customers of contract works of approximately HK\$42.9 million, HK\$20.0 million and HK\$12.2 million, respectively; and (ii) amounts due to customers of contract works of approximately HK\$16.0 million, HK\$18.9 million and HK\$26.9 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 30 September 2016 comprised relatively smaller sum of work done pending customer certification for numerous contracts. The rise in amounts due to customers for contract works is generally in line with the Group's revenue growth throughout the Track Record Period.

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TRADE AND OTHER RECEIVABLES

The following table sets forth a breakdown of the Group's trade and other receivables as at the end reporting period:

	As at 31 December		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	11,524	8,895	47,947
Retention receivables	10,324	6,331	10,724
Deposits and prepayments	<u>1,400</u>	<u>3,701</u>	<u>13,003</u>
	<u>23,248</u>	<u>18,927</u>	<u>71,674</u>

Trade receivables

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		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
0 — 30 days	8,022	6,435	45,527
31 — 60 days	370	73	—
61 — 90 days	308	284	—
Over 90 days but less than 1 year	1,751	541	817
Over 1 year	<u>1,073</u>	<u>1,562</u>	<u>1,603</u>
	<u>11,524</u>	<u>8,895</u>	<u>47,947</u>

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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	As at 30
	2014	September
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	<u>8,342</u>	<u>44,202</u>
Past due but not impaired		
Past due less than 30 days	50	1,325
Past due for 30 or more but less than 60 days	309	557
Past due for 60 or more but less than 90 days	1,145	—
Past due for 90 days but less than 1 year	805	268
Past due for 1 year or more	<u>873</u>	<u>1,595</u>
	<u>3,182</u>	<u>3,745</u>
	<u>11,524</u>	<u>47,947</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 30 September 2016, the Group's trade receivables amounted to approximately HK\$11.5 million, HK\$8.9 million and HK\$47.9 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 30 September 2016, the Group's trade receivables due from such major customer reduced to approximately HK\$3.3 million while approximately HK\$41.6 million were due from other two major customers, to which the Group has granted a longer credit period of 60 days.

As at 30 November 2016, approximately HK\$43.9 million or 91.6% of the Group's trade receivables as at 30 September 2016 has been settled.

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The following table sets forth the Group's trade receivables turnover days during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September
	2014	2015	2016
Trade receivables turnover days	24.6	17.0	38.2

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/period and multiplied by the number of days of the year/period (i.e. 365 days for a full year and 274 days for the period).

During each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's trade receivables turnover days were approximately 24.6 days, 17.0 days and 38.2 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 nine months ended 30 September 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.

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		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Not yet past due	6,539	3,466	6,063
Past due less than 1 year	3,271	2,533	1,972
Past due over 1 year or more	<u>514</u>	<u>332</u>	<u>2,689</u>
	<u>10,324</u>	<u>6,331</u>	<u>10,724</u>

As at 30 November 2016, approximately HK\$1.8 million or 16.8% of the Group's retention receivables as at 30 September 2016 has been settled.

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The following table sets forth the Group's retention receivables turnover days during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September
	2014	2015	2016
Retention receivables turnover days	21.7	13.9	11.5

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/period and multiplied by the number of days of the year/period (i.e. 365 days for a full year and 274 days for the period).

During each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's retention receivables turnover days amounted to approximately 21.7 days, 13.9 days and 11.5 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.

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 and 30 September 2016, the amount due from Mr. Lee was approximately HK\$7.6 million and HK\$8.9 million, respectively. Such balances were non-trade in nature, unsecured, non-interest bearing and repayable on demand. The amount due from Mr. Lee was 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 [REDACTED].

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		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade payables	22,126	33,675	22,351
Retention payables	1,924	3,643	6,578
Accruals and other payables	5,240	6,419	7,952
Receipt in advance	—	—	2,415
	<u>29,290</u>	<u>43,737</u>	<u>39,296</u>

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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		As at 30
	2014	2015	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 30 days	8,023	15,071	9,361
31 — 60 days	3,429	9,397	2,851
61 — 90 days	533	2,281	2,613
Over 90 days	<u>10,141</u>	<u>6,926</u>	<u>7,526</u>
	<u>22,126</u>	<u>33,675</u>	<u>22,351</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 30 September 2016, the Group's trade payables amounted to approximately HK\$22.1 million, HK\$33.7 million and HK\$22.4 million, respectively. The increase as at 31 December 2015 was mainly due to the increase in cost of revenue for the year ended 31 December 2015 as compared with that for the year ended 31 December 2014. The decrease in trade payables as at 30 September 2016 was mainly due to the decrease in the cost of revenue for the nine months ended 30 September 2016 as compared to that for the year ended 31 December 2015.

As at 30 November 2016, approximately HK\$12.1 million or 53.9% of the Group's trade payables as at 30 September 2016 has been settled.

The following table sets forth the Group's trade payables turnover days during the Track Record Period:

	Year ended 31 December		Nine months ended 30
	2014	2015	September
			2016
Trade payables turnover days	58.2	46.5	37.7

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/period and multiplied by the number of days of the year/period (i.e. 365 days for a full year and 274 days for the period).

During each of the two years ended 31 December 2015 and the nine months ended 30 September 2016, the Group's trade payables turnover days were approximately 58.2 days, 46.5 days and 37.7

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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.

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		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	1,667	3,337	6,146
Over 1 year	<u>257</u>	<u>306</u>	<u>432</u>
	<u>1,924</u>	<u>3,643</u>	<u>6,578</u>

As at 30 November 2016, none of the Group's retention payables as at 30 September 2016 has been settled as none of such payables was due.

INDEBTEDNESS

The following table sets out the Group's indebtedness as at dates indicates:

	As at 31 December		As at 30 September	As at 30 November
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current liabilities				
Bank borrowings	11,316	7,600	19,819	11,777
Obligation under finance lease	<u>201</u>	<u>207</u>	<u>212</u>	<u>195</u>
	<u>11,517</u>	<u>7,807</u>	<u>20,031</u>	<u>11,972</u>
Non-current liability				
Obligation under finance lease	<u>385</u>	<u>178</u>	<u>18</u>	<u>—</u>
	<u>11,902</u>	<u>7,985</u>	<u>20,049</u>	<u>11,972</u>

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As at 31 December 2014 and 2015, and 30 September 2016, the Group's indebtedness position was at approximately HK\$11.9 million, HK\$8.0 million and HK\$20.0 million, respectively. The Group's indebtedness was primarily bank borrowings of approximately HK\$11.3 million, HK\$7.6 million and HK\$19.8 million as at 31 December 2014 and 2015, and 30 September 2016, respectively, which were used for financing the Group's daily operations.

As at 30 November 2016, the Group had a total available banking facilities of approximately HK\$80.4 million, of which approximately HK\$39.5 million was utilised and approximately HK\$40.9 million was unutilised. Amongst such unutilised banking facilities, (i) approximately HK\$11.6 million represents facilities reserved for foreign exchange and (ii) approximately HK\$8.9 million represents facilities to be repaid and cancelled before [REDACTED], 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\$20.4 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.

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 30 September	As at 30 November
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Bank borrowings	<u>11,316</u>	<u>7,600</u>	<u>19,819</u>	<u>11,777</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 30 September 2016 granted under banking facilities ranged from 5.25% to 5.50%, 5.25% to 5.50% and 5.25% to 6.50%, respectively per annum.

The interest rates of the Group's bank borrowings as at 30 November 2016 granted under banking facilities ranged from 5.25% to 6.50% per annum.

- (b) The Group's bank borrowings and banking facilities as at 31 December 2014, 2015 and 30 September 2016 are secured by the following:

- Bank deposits of HK\$8,717,000, HK\$4,205,000 and HK\$21,209,000 as at 31 December 2014, 2015 and 30 September 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 30 September 2016;
- Legal charge over a property owned by Mr. Leung and Ms. Ku as at 31 December 2014, 2015 and 30 September 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 30 September 2016.

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The Group's bank borrowings and banking facilities as at 30 November 2016 are secured by the following:

- Bank deposits of HK\$21,210,000 as at 30 November 2016;
- Personal guarantees from Mr. Lee and Ms. Ku;
- Legal charge over a property owned by Mr. Lee;
- Legal charge over a property owned by Mr. Leung and Ms. Ku;
- Legal charge over a property owned by a related company, in which Ms. Lam and Mr. Leung have equity interests as at 30 November 2016; and
- The personal guarantees and the legal charge over the properties existed at the date of this [REDACTED] will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the [REDACTED].

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><u>610</u></u>	<u><u>(24)</u></u>	<u><u>586</u></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><u>395</u></u>	<u><u>(10)</u></u>	<u><u>385</u></u>

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	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
<i>As at 30 September 2016</i>			
Not later than one year	215	(3)	212
Later than one year and not later than five years	<u>18</u>	<u>—</u>	<u>18</u>
	<u>233</u>	<u>(3)</u>	<u>230</u>
	Minimum lease payments <i>HK\$'000</i> (<i>unaudited</i>)	Interest <i>HK\$'000</i> (<i>unaudited</i>)	Present value <i>HK\$'000</i> (<i>unaudited</i>)
<i>As at 30 November 2016</i>			
Not later than one year	197	(2)	195
Later than one year and not later than five years	<u>—</u>	<u>—</u>	<u>—</u>
	<u>197</u>	<u>(2)</u>	<u>195</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 and 2015 and 30 September 2016 amounted to approximately HK\$572,000, HK\$327,000 and HK\$143,000, 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 30 November 2016 amounted to HK\$102,000.

The Group's finance lease liabilities are subject to personal guarantee provided by Mr. Lee as at 30 November 2016. The Directors confirmed that the outstanding finance lease liabilities would be settled prior to the [REDACTED]. After full repayment of such finance lease liabilities, the aforementioned personal guarantee given by Mr. Lee will be released.

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The present value of future lease payments is analysed as:

	As at 31 December		As at 30 September	As at 30 November
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current liabilities	201	207	212	195
Non-current liabilities	<u>385</u>	<u>178</u>	<u>18</u>	<u>—</u>
	<u>586</u>	<u>385</u>	<u>230</u>	<u>195</u>

The effective interest rates of the Group's finance lease liability as at 31 December 2014 and 2015 and 30 September 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 30 November 2016 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 30 September	As at 30 November
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(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 borrowing" in this section.

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 November 2016. Claim

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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 30 November 2016.

Material indebtedness change

The Directors confirm that (i) there has not been any material change in the Group's indebtedness and contingent liabilities since 30 September 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 30 September 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 30 September 2016, the Company did not have any distributable reserve available for distribution to Shareholders.

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KEY FINANCIAL RATIOS

The following table sets for a summary of the Group's key financial ratios during the Track Record Period:

		Year ended 31 December		Nine months ended 30 September
	Notes	2014	2015	2016
Return on total assets	1	23.3%	27.6%	23.4%
Return on equity	2	45.9%	54.2%	49.3%
Net profit margin	3	20.7%	21.2%	20.5%
Interest coverage	4	116.2 times	120.9 times	158.0 times
		As at 31 December		As at 30 September
		2014	2015	2016
Current ratio	5	2.0	2.0	1.9
Quick ratio	6	2.0	2.0	1.9
Gearing ratio	7	17.5%	9.3%	23.7%
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/period with total assets as at the end of the respective year/period multiplied by 100%.
2. Return on equity is calculated by dividing profit for the respective year/period with total equity as at the end of the respective year/period multiplied by 100%.
3. Net profit margin is calculated by dividing profit with revenue for the respective year/period multiplied by 100%.
4. Interest coverage is calculated by dividing profit before finance costs and income tax with finance costs for the respective year/period.
5. Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year/period.
6. Quick ratio is calculated by dividing total current assets minus inventories with total current liabilities as at the end of the respective year/period.
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/period.
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/period.

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Return on total assets

Return on total assets of the Group amounted 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 nine months ended 30 September 2016, the Group recorded return on total assets of approximately 23.4%, representing less profit recorded during the nine-month period as compared to a full year, and which the Directors consider that the nine months period financial results were not comparable to that of the full year.

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 nine months ended 30 September 2016, the Group recorded return on equity of approximately 49.3%, representing less profit recorded during the nine months period as compared to a full year, and which the Directors consider that the nine-month period financial results were not comparable to that of the full year.

Net profit margin

Net profit margin of the Group remained relatively stable at approximately 20.7%, 21.2% and 20.5% for each of the two years ended 31 December 2015, and the nine months ended 30 September 2016, respectively. If the [REDACTED] expense of approximately HK\$[REDACTED] and HK\$[REDACTED] were excluded, the Group's net profit margin for the year/period ended 31 December 2015 and the nine months ended 30 September 2016 would have been approximately 21.8% and 21.3%, respectively, which remained relatively stable.

Interest coverage

Interest coverage of the Group amounted to approximately 116.2 times, 120.9 times and 158.0 times for each of the two years ended 31 December 2015, and the nine months ended 30 September 2016, respectively. The increase of the Group's interest coverage over the Track Record Period was primarily due to the increase in the Group's revenue and profit before finance costs and income tax. For further details, please refer to the subsection 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 1.9 times as at 31 December 2014 and 2015, and 30 September 2016, respectively.

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Quick ratio

As the Group's inventories as at 31 December 2014 and 2015, and 30 September 2016 only amounted to approximately HK\$1.0 million, HK\$1.1 million and HK\$0.5 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 1.9 times as at 31 December 2014 and 2015, and 30 September 2016, respectively.

Gearing ratio

Gearing ratio of the Group amounted to approximately 17.5%, 9.3% and 23.7% as at 31 December 2014 and 2015, and 30 September 2016, respectively. The fluctuations during the Track Record Period were mainly because of the changes in total debt of approximately HK\$11.9 million, HK\$8.0 million and HK\$20.0 million as at 31 December 2014 and 2015, and 30 September 2016, respectively. The increase in total debt as at 30 September 2016 was mainly attributable to the increase of approximately HK\$12.2 million of the Group's bank borrowings from approximately HK\$7.6 million as at 31 December 2015 to approximately HK\$19.8 million as at 30 September 2016.

Net debt to equity ratio

There was no net debt as at 31 December 2014 and 2015, and 30 September 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.

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 [REDACTED]. The Directors confirm that these related part 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.

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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 [REDACTED].

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 [REDACTED].

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted 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 [REDACTED] as if it had taken place on 30 September 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 [REDACTED] or at any future dates.

	Net tangible assets of the Group as at 30 September 2016	Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted net tangible assets of the Group	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on the [REDACTED] of HK\$[REDACTED] per Share	84,647	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK\$[REDACTED] per Share	84,647	[REDACTED]	[REDACTED]	[REDACTED]

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Notes:

1. The combined net tangible assets of the Company as at 30 September 2016 are based on audited combined net assets of the Company as at 30 September 2016 of HK\$84,647,000 as shown in the Accountant's Report set out in Appendix I to this [REDACTED].
2. The estimated net proceeds from the [REDACTED] are based on [REDACTED] Shares to be issued at the minimum and maximum indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per share, respectively, after deduction of the underwriting fees and related expenses of approximately HK\$[REDACTED] or HK\$[REDACTED], based on the [REDACTED] of HK\$[REDACTED] or HK\$[REDACTED] per Share, payable and borne by the Company which has not been reflected in combined net tangible assets of the Company as at 30 September 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 [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue assuming the [REDACTED] had been completed on 30 September 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 [REDACTED].
4. 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 30 September 2016.

[REDACTED] EXPENSES

The Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED], of which approximately HK\$[REDACTED] is directly attributable to the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED] and the remaining amount of approximately HK\$[REDACTED], which cannot be so deducted, will be charged to the Group's profit or loss. During the year ended 31 December 2015 and the nine months ended 30 September 2016, approximately HK\$[REDACTED] and HK\$[REDACTED] of the [REDACTED] expenses has been charged to the Group's profit or loss, respectively. Approximately HK\$[REDACTED] and HK\$[REDACTED] is expected to be incurred for the three months ended 31 December 2016 and the year ending 31 December 2017, respectively.

Expenses in relation to the [REDACTED] 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 [REDACTED].

FINANCIAL INFORMATION

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		Nine months ended 30 September	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Interim dividends attributable to				
- Owners of the Company	—	28,560	28,560	35,900
- Non-controlling interests	<u>29</u>	<u>140</u>	<u>140</u>	<u>—</u>
	<u>29</u>	<u>28,700</u>	<u>28,700</u>	<u>35,900</u>

No dividend has been paid or declared by the Company since its incorporation. For the year ended 31 December 2015, nine months ended 30 September 2015 and 2016, subsidiaries of the Company declared interim dividend of approximately HK\$28,700,000, HK\$28,700,000 and HK\$35,900,000, respectively, to their then shareholders.

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.

In December 2016, an interim dividend of HK\$10,000,000 was declared by subsidiaries of the Company to their then respective shareholder(s). Such dividend was paid in full on 31 December 2016. The Group intends to declare an interim dividend of HK\$20,000,000 in [March 2017] to the then shareholders of the Group, which will be settled prior to the [REDACTED].

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.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sections headed “Summary — Recent development” and “Summary — [REDACTED] expenses” in this [REDACTED], the Directors confirm that, up to the date of this [REDACTED], there has been no material adverse change in the financial or trading position or prospects of the Group since 30 September 2016 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 30 September 2016 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this [REDACTED].

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

The section headed "Business — Business strategies" in this [REDACTED] 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 [REDACTED], after deducting related underwriting fees and estimated expenses in connection with the [REDACTED] and an [REDACTED] of HK\$[REDACTED], being the mid-point of the [REDACTED] range, will be approximately HK\$[REDACTED]. The Directors presently intend to apply such net proceeds as follows:

- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group's capacity to undertake more design and build projects, in particular, the potential sizeable project expected to be awarded, and financing the net cash outflows required in the early stage of the new projects, including the upfront payments to the material suppliers and subcontractors;
- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group's manpower by recruiting 20 additional full-time staff, including additional 4 experienced and skilled project management staff; 5 supporting staff for design and build projects; 3 experienced supporting staff for maintenance works, and 5 designers and 3 relevant supporting staff for the Shenzhen design office and strengthening the skills of staff by providing internal training and courses organised by external parties;
- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further strengthening the Group's capital base and liquidity position to satisfy the surety bonds requirements for projects that may potentially be awarded to the Group;
- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further enhancing the Group's operational efficiency and technical capability by 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
- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds will be used as general working capital of the Group such as for purchasing materials, engaging subcontractors and leasing of equipment.

In the event that the [REDACTED] is fixed at the high-end or the low-end compared to the mid-point of the [REDACTED] range, namely, HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED] and HK\$[REDACTED], respectively, and the above allocation of the net proceeds from the [REDACTED] will be adjusted on a pro-rata basis.

To the extent that the net proceeds of the [REDACTED] 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 [REDACTED] as described above.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR AND BENEFITS OF THE [REDACTED]

The Directors believe that the commercial reasons of the [REDACTED] are as follow:

- The Directors believe that the [REDACTED] 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 [REDACTED] to be received by the Group will strengthen its financial position which in turn will facilitate the implementation of the Group's business plan as set out in the section headed "Business — Business strategies". 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 10.0% 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 [REDACTED] would strengthen the Group's cashflow position which in turn will enable 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 each of the Track Record Period, the Group had turned down or did not respond to approximately 36, 41 and 14 invitations of design and build projects from customers to tender 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 [REDACTED], the Group will be able to respond to more invitations or to submit tenders based on the sufficiency of its internal resources. This will also place the Group in a better position to cater for the potential growth in the podium facade and curtain works wall industry in Hong Kong in 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 does not usually 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 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

FUTURE PLANS AND USE OF PROCEEDS

sustainable growth in the long run, the Directors consider that the net proceeds from the [REDACTED] 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 will 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 of 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 justify the Group's expansion plan to expand the Group's capacity to compete for more new projects;
- The Directors believe that the [REDACTED] 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 [REDACTED]. Furthermore, the Directors believe that the Group's internal control and corporate governance practices could be further enhanced following the [REDACTED], which will in turn increase the confidence of its customers and suppliers on the Group.

UNDERWRITING

[REDACTED] UNDERWRITERS

[REDACTED] Underwriters

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

[REDACTED]

[REDACTED] Underwriting Agreement

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Undertakings pursuant to the [REDACTED] Underwriting Agreement

Undertaking by the Company

[REDACTED]

UNDERWRITING

Undertaking by the Controlling Shareholders

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

[REDACTED] Underwriting Agreement

[REDACTED]

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

[REDACTED]

Commission and expenses

The Underwriters will receive a commission of [REDACTED]% on the aggregate [REDACTED] of all the [REDACTED], out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. Assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED] stated in this [REDACTED], the underwriting commission will be approximately HK\$[REDACTED]. The underwriting commission, documentation fee, Stock Exchange [REDACTED] fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the [REDACTED] are estimated to be approximately HK\$[REDACTED], which will be borne by the Company.

Underwriters' interests in the Company

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this [REDACTED], none of the Underwriters or any of its close associates is interested beneficially or non-beneficially in any shares in any member of the Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of the Group.

UNDERWRITING

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 [REDACTED] 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 [REDACTED] 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 [REDACTED], its obligations under the Underwriting Agreements and the compliance adviser's agreement, its acting as compliance adviser and any interests in securities that may be subscribed by it pursuant to the [REDACTED], neither Messis Capital nor any of its close associates has or may, as a result of the [REDACTED], 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 [REDACTED], 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 [REDACTED]).

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 [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT'S REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this [REDACTED], received from the Company's independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



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[Date]

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 and 2015 and the nine months ended 30 September 2016 (the "Relevant Periods") and the combined statements of financial position of the Group as at 31 December 2014 and 2015 and 30 September 2016, together with a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the [REDACTED] of the Company dated [REDACTED] (the "[REDACTED]") in connection with the initial [REDACTED] 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 [●] 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

APPENDIX I

ACCOUNTANT'S REPORT

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")	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 the non-controlling shareholder 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.

APPENDIX I

ACCOUNTANT'S REPORT

The statutory financial statements of G & M Engineering and G & M Contracting for the year ended 31 December 2015 and G & M Maintenance for the nine months ended 31 December 2015 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 [REDACTED] 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.

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ACCOUNTANT'S REPORT

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis 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, gives a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and 30 September 2016, and of the financial performance and cash flows of the Group for the Relevant Periods.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited interim financial statements of the Group comprising the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2015, together with explanatory notes thereon (the "Corresponding Financial Information"), in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors are responsible for the preparation and presentation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Corresponding Financial Information. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

APPENDIX I

ACCOUNTANT'S REPORT

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 December		Nine months ended 30 September	
		2014	2015	2015	2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	7	151,304	218,820	150,890	203,598
Cost of revenue		(100,911)	(147,753)	(97,661)	(137,443)
Gross profit		50,393	71,067	53,229	66,155
Other income, gains and losses	8	544	588	438	14
Administrative and other operating expenses		(13,274)	(14,141)	(10,321)	(13,597)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	9	(324)	(466)	(340)	(322)
Profit before income tax	10	37,339	55,863	43,006	50,562
Income tax expense	11	(6,074)	(9,371)	(7,116)	(8,835)
Profit for the year/period		31,265	46,492	35,890	41,727
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
- Change in fair value of available-for-sale investments		(74)	—	(266)	—
- 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		—	—	—	(22)
		(141)	(37)	(266)	(22)
Total comprehensive income for the year/period		31,124	46,455	35,624	41,705

APPENDIX I

ACCOUNTANT'S REPORT

		Year ended 31 December		Nine months ended 30 September	
		2014	2015	2015	2016
	Note	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit for the year/period attributable to:					
Owners of the Company		30,753	46,168	35,700	41,702
Non-controlling interests		<u>512</u>	<u>324</u>	<u>190</u>	<u>25</u>
		<u>31,265</u>	<u>46,492</u>	<u>35,890</u>	<u>41,727</u>
Total comprehensive income for the year/period attributable to:					
Owners of the Company		30,612	46,131	35,434	41,680
Non-controlling interests		<u>512</u>	<u>324</u>	<u>190</u>	<u>25</u>
		<u>31,124</u>	<u>46,455</u>	<u>35,624</u>	<u>41,705</u>
		HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic and diluted earnings per share	14	<u>[10.3]</u>	<u>[15.4]</u>	<u>[11.9]</u>	<u>[13.9]</u>

APPENDIX I

ACCOUNTANT'S REPORT

		As at 31 December		As at
	<i>Notes</i>	2014	2015	30 September
		<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>18</u>
Net assets		<u>68,090</u>	<u>85,842</u>	<u>84,647</u>
CAPITAL AND RESERVES				
Share capital	27	1,010	10	—
Reserves	28	<u>66,181</u>	<u>84,653</u>	<u>84,647</u>
Equity attributable to owners of the Company		67,191	84,663	84,647
Non-controlling interests	29	<u>899</u>	<u>1,179</u>	<u>—</u>
Total equity		<u>68,090</u>	<u>85,842</u>	<u>84,647</u>

APPENDIX I

ACCOUNTANT'S REPORT

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
		(note 28)						
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

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	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 period	—	—	—	—	41,702	41,702	25	41,727
Other comprehensive income for the period:								
- Exchange difference arising from translation of foreign operation	—	—	—	(22)	—	(22)	—	(22)
Total comprehensive income for the period	—	—	—	(22)	41,702	41,680	25	41,705
Acquisition of non-controlling interest (note 29)	—	—	—	—	(196)	(196)	(1,204)	(1,400)
Arising from Reorganisation	(10)	10	—	—	—	—	—	—
Deemed distribution to a controlling shareholder (note 29)	—	(5,600)	—	—	—	(5,600)	—	(5,600)
Dividend declared (note 13)	—	—	—	—	(35,900)	(35,900)	—	(35,900)
At 30 September 2016	—	(4,592)	—	(22)	89,261	84,647	—	84,647

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	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)						
(Unaudited)								
At 1 January 2015	1,010	(2)	37	—	66,146	67,191	899	68,090
Profit for the period	—	—	—	—	35,700	35,700	190	35,890
Other comprehensive income for the period:								
- Change in fair value of available-for-sale investments	—	—	(266)	—	—	(266)	—	(266)
Total comprehensive income for the period	—	—	(266)	—	35,700	35,434	190	35,624
Dividend declared (note 13)	—	—	—	—	(28,560)	(28,560)	(140)	(28,700)
At 30 September 2015	<u>1,010</u>	<u>(2)</u>	<u>(229)</u>	<u>—</u>	<u>73,286</u>	<u>74,065</u>	<u>949</u>	<u>75,014</u>

* The total of these equity accounts as at 31 December 2014 and 2015 and 30 September 2016 represent "reserves" in the respective combined statements of financial position.

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Combined Statements of Cash Flows

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Cash flows from operating activities				
Profit before income tax	37,339	55,863	43,006	50,562
Adjustments for:				
Depreciation of property, plant and equipment	519	535	404	1,052
Bank interest income	(111)	(74)	(74)	(4)
Interest income from held-to-maturity investments	(237)	(470)	(299)	—
Impairment of available-for-sale investments	66	—	—	—
(Gain)/Loss on disposal of investments	(180)	63	—	—
Dividend income from investments	(63)	(69)	(45)	—
Write-off of property, plant and equipment	11	—	—	6
(Gain)/Loss on disposal of property, plant and equipment	—	(20)	(20)	16
Interest expenses	324	466	340	322
Operating profit before working capital changes	37,668	56,294	43,312	51,954
(Increase)/Decrease in inventories	(877)	(115)	577	604
(Increase)/Decrease in amount due from customers of contract works	(7,641)	22,956	26,247	7,717
(Increase)/Decrease in trade and other receivables	(4,499)	4,321	2,076	(52,740)
Decrease in amount due from a related company	40	—	—	—
(Decrease)/Increase in trade and other payables	(4,029)	14,447	356	(4,470)
Increase in amount due to customers of contract works	1,160	2,979	6,861	7,961
Change in balance with a director	(8,467)	(280)	(280)	(1,230)
Cash generated from operations	13,355	100,602	79,149	9,796
Income tax paid	(772)	(5,139)	—	(13,679)
Net cash generated from/(used in) operating activities	12,583	95,463	79,149	(3,883)

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	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Cash flows from investing activities				
Interest received	111	74	74	4
Dividend income from investments	63	69	45	—
Decrease in time deposits with original maturity over three months	6,250	—	—	—
(Increase)/Decrease in pledged bank deposits	(5,050)	4,512	4,512	(17,004)
Acquisition of available-for-sale investments	(47)	(530)	(530)	—
Acquisition of held-to-maturity investments	—	(8,441)	(8,441)	—
Proceeds from redemption of held-to-maturity investments	2,361	2,850	2,850	—
Sales proceeds from disposal of available-for-sale investments	423	2,725	—	—
Interest received from held-to-maturity investments	237	470	115	—
Acquisition of property, plant and equipment	(576)	(279)	(246)	(2,874)
Prepayment for acquisition of property, plant and equipment	—	(922)	—	(436)
Sales proceeds from disposal of property, plant and equipment	—	80	80	2
Net cash generated from/(used in) investing activities	<u>3,772</u>	<u>608</u>	<u>(1,541)</u>	<u>(20,308)</u>
Cash flows from financing activities				
Proceeds from bank borrowings	11,316	24,430	18,830	30,262
Interest paid on bank borrowings	(307)	(452)	(329)	(315)
Repayment of bank borrowings	(8,012)	(28,146)	(20,146)	(18,043)
Dividends paid	(29)	(28,700)	(28,700)	(35,900)
Acquisition of non-controlling interest	—	(3)	—	(1,400)
Repayment of obligations under finance lease	(251)	(215)	(161)	(162)
Deemed distribution to a controlling shareholder	—	—	—	(5,600)
Net cash generated from/(used in) financing activities	<u>2,717</u>	<u>(33,086)</u>	<u>(30,506)</u>	<u>(31,158)</u>
Increase/(Decrease) in cash and cash equivalents	19,072	62,985	47,102	(55,349)
Cash and cash equivalents at the beginning of year/period	<u>33,046</u>	<u>52,118</u>	<u>52,118</u>	<u>115,103</u>
Cash and cash equivalents at the end of year/period	<u>52,118</u>	<u>115,103</u>	<u>99,220</u>	<u>59,754</u>

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II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated in 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 [REDACTED] (the "[REDACTED]") of the Company's shares on the Stock Exchange, the Company has since [●] become the holding company of its subsidiaries now comprising the Group by way of share swaps with the existing ultimate controlling shareholders (i.e. Mr. Lee Chi Hung ("Mr. Lee") and Mr. Leung Ping Kwan ("Mr. Leung")). Part of the 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.

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- (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 the non-controlling shareholder 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 [●], Mr. Lee and Mr. Leung entered into a 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 one share 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. The share swaps have no substance and do not form a business combination, and accordingly, the Financial Information of the Company was combined with that of

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the operating subsidiaries using the predecessor carrying amounts. The Reorganisation is therefore merely a reorganisation of the Business and does not constitute a business combination, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

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 and 2015 and 30 September 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 adopted all these new or revised HKFRSs 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 Hong Kong dollars ("HK\$"), which is same as the functional currency of the Company and its major subsidiaries.

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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 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.

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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 on disposal.

(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.

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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.

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(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.

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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.

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(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 statement of financial position under "Trade and other receivables".

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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 statement 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.

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(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.

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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.

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(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.

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- (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 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
HKFRS 9	Financial Instruments ²

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HKFRS 15 Revenue from Contracts with Customers²

HKFRS 16 Leases³

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

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. Those new or revised HKFRSs that are expected to have a material impact on the Group's financial statements are 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 FVTPL 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.

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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.

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

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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 30 September 2016 amounted to HK\$4,323,000. 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.

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(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; (ii) recent offers agreed with sub-contractors and suppliers; and (iii) 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.

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(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.

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(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		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Customer I	79,293	187,630	127,671	145,744
Customer II	36,859	—	—	—
Customer III	—	—	—	42,768

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 followings:

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Design and build projects				
- Podium facade and related works	121,332	195,998	135,116	175,317
- Curtain wall works	16,252	13,998	11,350	22,008
	137,584	209,996	146,466	197,325
Repair and maintenance services	13,720	8,824	4,424	6,273
	151,304	218,820	150,890	203,598

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8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Bank interest income	111	74	74	4
Dividend income from investments	63	69	45	—
Interest income from held-to-maturity investments	237	470	299	—
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	20	(16)
Others	19	18	—	26
	<u>544</u>	<u>588</u>	<u>438</u>	<u>14</u>

9. FINANCE COSTS

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Interest on bank borrowings	307	452	329	315
Interest element of finance lease payments	17	14	11	7
	<u>324</u>	<u>466</u>	<u>340</u>	<u>322</u>

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10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended		Nine months ended	
	31 December		30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Auditor's remuneration	58	312	185	225
Depreciation of property, plant and equipment*	519	535	404	1,052
Write off of property, plant and equipment	11	—	—	6
(Gain)/Loss on disposal of property, plant and equipment	—	(20)	(20)	16
Employee benefit expenses (including directors' emoluments (note 12(a))				
- Salaries, allowances and other benefits	21,448	23,698	18,002	23,763
- Contributions to defined contribution retirement plan	617	654	615	537
	<u>22,065</u>	<u>24,352</u>	<u>18,617</u>	<u>24,300</u>
Exchange losses/(gain), net	1	283	176	(48)
Operating lease charges in respect of land and buildings	<u>685</u>	<u>830</u>	<u>636</u>	<u>1,311</u>

* Included in administrative and other operating expenses

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11. INCOME TAX EXPENSE

The amounts of income tax expense in the combined statements of comprehensive income represent:

	Year ended		Nine months ended	
	31 December		30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Current tax				
- Hong Kong	6,074	9,371	7,116	8,626
- PRC	—	—	—	81
- Under-provision in respect of prior years	—	—	—	128
- Tax for the year/period	<u>6,074</u>	<u>9,371</u>	<u>7,116</u>	<u>8,835</u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under 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% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

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The income tax expense for the year/period can be reconciled to the profit before income tax per the combined statements of comprehensive income as follows:

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
Profit before income tax	<u>37,339</u>	<u>55,863</u>	<u>43,006</u>	<u>50,562</u>
Tax calculated at Hong Kong Profits Tax rate of 16.5%	6,161	9,217	7,096	8,343
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	—	—	29
Tax effect of revenue not taxable for tax purposes	(11)	(12)	(7)	—
Tax effect of expenses not deductible for tax purposes	13	218	37	363
Tax effect of temporary differences not recognised	(29)	(12)	(10)	(28)
Under-provision in respect of prior years	—	—	—	128
Others	<u>(60)</u>	<u>(40)</u>	<u>—</u>	<u>—</u>
Income tax expense	<u>6,074</u>	<u>9,371</u>	<u>7,116</u>	<u>8,835</u>

No deferred tax has been provided in the Financial Information as there were no material temporary differences as at 31 December 2014 and 2015 and 30 September 2015 and 2016.

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12. DIRECTORS' EMOLUMENTS, 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	—	—	—	—	—
	—	1,031	210	33	1,274
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	—	—	—	—	—
	—	1,087	131	36	1,254

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	Fees	Salaries, allowances and other benefits	Discretionary bonuses	Pension scheme contribution	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nine months ended					
30 September 2015					
<i>(Unaudited)</i>					
<i>Executive directors</i>					
Mr. Lee	—	381	—	14	395
Mr. Chan Wai Yin	—	426	98	14	538
<i>Non-executive director</i>					
Mr. Leung	—	—	—	—	—
	—	807	98	28	933
Nine months ended					
30 September 2016					
<i>Executive directors</i>					
Mr. Lee	—	1,608	—	14	1,622
Mr. Chan Wai Yin	—	439	101	14	554
<i>Non-executive director</i>					
Mr. Leung	—	345	—	9	354
	—	2,392	101	37	2,530

No emoluments were paid or payable to the independent non-executive directors during the Relevant Periods.

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(b) Five highest paid individuals

The emoluments payable to the 5 highest paid individuals are non-directors and as follows:

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Salaries, allowances and other benefits	3,383	3,329	2,615	2,643
Discretionary bonuses	1,224	1,636	1,138	1,306
Contributions to defined contribution retirement plan	84	90	66	67
	<u>4,691</u>	<u>5,055</u>	<u>3,819</u>	<u>4,016</u>

The emoluments were within the following bands:

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
			<i>(Unaudited)</i>	
Nil to HK\$1,000,000	3	3	5	5
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>	<u>—</u>	<u>—</u>

- (c) During the Relevant Periods, no emoluments were paid by the Group to the directors or the 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.

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(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		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>No. of</i>	<i>No. of</i>	<i>No. of</i>	<i>No. of</i>
	<i>individuals</i>	<i>individuals</i>	<i>individuals</i>	<i>individuals</i>
	<i>(Unaudited)</i>			
Nil to HK\$1,000,000	3	3	3	4
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>

13. DIVIDENDS

	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
Interim dividends attributable to				
- Owners of the Company	—	28,560	28,560	35,900
- Non-controlling interests	<u>29</u>	<u>140</u>	<u>140</u>	<u>—</u>
	<u>29</u>	<u>28,700</u>	<u>28,700</u>	<u>35,900</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 year ended 31 December 2015, nine months ended 30 September 2015 and 2016 amounting to HK\$28,700,000, HK\$28,700,000 and HK\$35,900,000 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.

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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 and 2015 of HK\$30,753,000 and HK\$46,168,000 respectively, and for the nine months ended 30 September 2015 and 2016 of HK\$35,700,000 and HK\$41,702,000 respectively, and on the basis of [REDACTED] 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	Office equipment	Motor vehicles	Plant and machinery	Leasehold improvement	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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	<u>669</u>	<u>2,645</u>	<u>1,223</u>	<u>27</u>	<u>139</u>	<u>4,703</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	<u>648</u>	<u>2,153</u>	<u>896</u>	<u>27</u>	<u>139</u>	<u>3,863</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>

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	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>
Nine months ended 30						
September 2016						
Cost						
As at 31 December 2015 and 1 January 2016	669	2,645	1,223	27	139	4,703
Additions	5	236	600	278	2,677	3,796
Written off	—	(979)	—	—	(139)	(1,118)
Disposal	(644)	—	—	—	—	(644)
As at 30 September 2016	<u>30</u>	<u>1,902</u>	<u>1,823</u>	<u>305</u>	<u>2,677</u>	<u>6,737</u>
Accumulated depreciation						
As at 1 January 2016	648	2,153	896	27	139	3,863
Depreciation	4	146	319	14	569	1,052
Written off	—	(973)	—	—	(139)	(1,112)
Disposal	(626)	—	—	—	—	(626)
As at 30 September 2016	<u>26</u>	<u>1,326</u>	<u>1,215</u>	<u>41</u>	<u>569</u>	<u>3,177</u>
Net carrying amount						
As at 30 September 2016	<u>4</u>	<u>576</u>	<u>608</u>	<u>264</u>	<u>2,108</u>	<u>3,560</u>

Note: The net carrying amounts of motor vehicle held under finance lease as at 31 December 2014 and 2015 and 30 September 2016 amounted to HK\$572,000, HK\$327,000 and HK\$143,000 respectively.

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16. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December		As at 30 September
	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		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Raw materials and consumables	<u>1,033</u>	<u>1,148</u>	<u>544</u>

18. AMOUNTS DUE FROM/(TO) CUSTOMERS OF CONTRACT WORKS

	As at 31 December		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Contract costs incurred to date plus recognised profits less recognised losses	646,071	785,781	665,896
Less: Progress billings to date	<u>(619,109)</u>	<u>(784,754)</u>	<u>(680,547)</u>
	<u>26,962</u>	<u>1,027</u>	<u>(14,651)</u>
Amounts due from customers of contract works	42,910	19,954	12,237
Amounts due to customers of contract works	<u>(15,948)</u>	<u>(18,927)</u>	<u>(26,888)</u>
	<u>26,962</u>	<u>1,027</u>	<u>(14,651)</u>

All amounts due from/(to) customers of contract works are expected to be recovered/settled within one year.

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19. TRADE AND OTHER RECEIVABLES

	As at 31 December		As at 30 September
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	11,524	8,895	47,947
Retention receivables	10,324	6,331	10,724
Deposits and prepayments	<u>1,400</u>	<u>3,701</u>	<u>13,003</u>
	<u>23,248</u>	<u>18,927</u>	<u>71,674</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 as disclosed in note 35. 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		As at 30 September
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 30 days	8,022	6,435	45,527
31 — 60 days	370	73	—
61 — 90 days	308	284	—
Over 90 days but less than 1 year	1,751	541	817
Over 1 year	<u>1,073</u>	<u>1,562</u>	<u>1,603</u>
	<u>11,524</u>	<u>8,895</u>	<u>47,947</u>

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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		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	8,342	6,592	44,202
Past due but not impaired			
Past due less than 30 days	50	200	1,325
Past due for 30 or more but less than 60 days	309	8	557
Past due for 60 or more but less than 90 days	1,145	100	—
Past due for 90 days but less than 1 year	805	433	268
Past due for 1 year or more	873	1,562	1,595
	3,182	2,303	3,745
	11,524	8,895	47,947

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 and 2015 and 30 September 2016, based on due date, the Group's retention receivables of HK\$6,539,000, HK\$3,466,000 and HK\$6,063,000 respectively were not yet past due and the remaining balance of HK\$3,785,000, HK\$2,865,000 and HK\$4,661,000 respectively were past due, of which HK\$514,000, HK\$332,000 and HK\$2,689,000 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 2015	31 December 2015	outstanding
	<i>HK\$'000</i>	<i>HK\$'000</i>	balance during
			the year
			<i>HK\$'000</i>
Mr. Lee	(1,058)	7,646	8,356

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Name	As at 1 January 2016 HK\$'000	As at 30 September 2016 HK\$'000	Maximum outstanding balance during the period HK\$'000
Mr. Lee	<u>7,646</u>	<u>8,876</u>	<u>8,876</u>

Note:

The amount due is unsecured, interest-free and repayable on demand.

21. HELD-TO-MATURITY INVESTMENTS

	As at 31 December 2014 HK\$'000	As at 30 September 2015 HK\$'000	As at 30 September 2016 HK\$'000
Debt securities, listed in Hong Kong	<u>2,850</u>	<u>—</u>	<u>—</u>

The debts 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 and 2015 and 30 September 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.

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24. TRADE AND OTHER PAYABLES

	As at 31 December		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade payables	22,126	33,675	22,351
Retention payables	1,924	3,643	6,578
Accruals and other payables	5,240	6,419	7,952
Receipt in advance	—	—	2,415
	<u>29,290</u>	<u>43,737</u>	<u>39,296</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		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
0 — 30 days	8,023	15,071	9,361
31 — 60 days	3,429	9,397	2,851
61 — 90 days	533	2,281	2,613
Over 90 days	<u>10,141</u>	<u>6,926</u>	<u>7,526</u>
	<u>22,126</u>	<u>33,675</u>	<u>22,351</u>

- (c) As at 31 December 2014 and 2015 and 30 September 2016, retention payables of HK\$1,667,000 and HK\$3,337,000 and HK\$6,146,000 respectively were aged one year or below and the remaining balance of approximately HK\$257,000, HK\$306,000 and HK\$432,000 respectively were aged over one year.

25. BANK BORROWINGS

	As at 31 December		As at 30 September
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Bank borrowings repayable within one year	<u>11,316</u>	<u>7,600</u>	<u>19,819</u>

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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 and 2015 and 30 September 2016 granted under banking facilities ranged from 5.25% to 5.50%, 5.25% to 5.50% and 5.25% to 6.50%, respectively per annum.
- (b) The banking facilities as at 31 December 2014 and 2015 and 30 September 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 30 September 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 30 September 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 30 September 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 [REDACTED].

- (c) The Group had utilised the banking facilities in respect of:
- Bank borrowings of HK\$11,316,000, HK\$7,600,000 and HK\$19,819,000 respectively as at as at 31 December 2014 and 2015 and 30 September 2016; and
 - As at 31 December 2014, 2015 and 30 September 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.

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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 HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 December 2014			
Not later than one year	215	(14)	201
Later than one year and not later than five years	395	(10)	385
	<u>610</u>	<u>(24)</u>	<u>586</u>
As at 31 December 2015			
Not later than one year	215	(8)	207
Later than one year and not later than five years	180	(2)	178
	<u>395</u>	<u>(10)</u>	<u>385</u>
As at 30 September 2016			
Not later than one year	215	(3)	212
Later than one year and not later than five years	18	—	18
	<u>233</u>	<u>(3)</u>	<u>230</u>

The present value of future lease payments is analysed as:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 September 2016 HK\$'000
Current liabilities	201	207	212
Non-current liabilities	385	178	18
	<u>586</u>	<u>385</u>	<u>230</u>

Notes:

- The Group's finance lease liabilities are subject to personal guarantee provided by Mr. Lee, director and shareholder of the Company.
- The effective interest rate of the Group's finance lease liability as at 31 December 2014 and 2015 and 30 September 2016 was 2.92%, 2.92% and 2.92% respectively per annum.

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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 [●], the Company allotted and issued one share in aggregate to Luxury Booming which were credited as fully paid as consideration for the transfer of their 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 as at 30 September 2016 represented the issued capital of Join Forward.

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.

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 difference between (i) the consideration of HK\$1,400,000 paid by Mr. Lee in acquiring the 20% equity interest in G & M Maintenance held by the non-controlling shareholder; and (ii) 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, as disclosed in notes 2(f) and 2(g) above.

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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 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 September 2016 HK\$'000
Within one year	207	576	2,062
Later than one year and not more than five years	<u>3</u>	<u>439</u>	<u>2,261</u>
	<u>210</u>	<u>1,015</u>	<u>4,323</u>

31. CAPITAL COMMITMENTS

At 31 December 2014 and 2015 and 30 September 2016, the Group had the following capital commitments:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 September 2016 HK\$'000
Commitments for the acquisition of property, plant and equipment:			
- Contracted but not provided for	<u>—</u>	<u>—</u>	<u>1,155</u>

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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		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</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.

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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		Nine months ended	
			31 December 2014	31 December 2015	30 September 2015	30 September 2016
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(Unaudited)</i>						
Kentan (HK) Company Limited (note i)	A director has equity interest	Purchase of materials	60	85	85	18
Profit Bright Enterprises Limited (note ii)	A director and spouse of another director have equity interests	Rental expenses paid	480	580	430	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.
- (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 to Mr. Lee, director and shareholder of the Company, at a consideration of HK\$8,424,000 in December 2015. 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 statement of comprehensive income.

The transactions were conducted on the basis of mutually agreed terms.

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- (b) As at 31 December 2014 and 2015 and 30 September 2016, Mr. Lee, director and shareholder of the Company, and Mr. Leung, director and shareholder of the Company, provide the followings 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 30 September 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 [REDACTED].

- (c) As at 31 December 2014 and 2015 and 30 September 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		Nine months ended	
	31 December		30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
Salaries, allowances and other benefits	3,746	4,171	3,025	5,225
Contributions to defined contribution retirement plan	83	95	67	90
	<u>3,829</u>	<u>4,266</u>	<u>3,092</u>	<u>5,315</u>

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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 reviews and manages 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 sells assets to reduce debt.

The gearing ratio as at 31 December 2014, 2015 and 30 September 2016 were as follows:

	As at 31 December	As at	30 September
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings	11,316	7,600	19,819
Obligation under finance lease	<u>586</u>	<u>385</u>	<u>230</u>
	<u>11,902</u>	<u>7,985</u>	<u>20,049</u>
Total equity	<u>68,090</u>	<u>85,842</u>	<u>84,647</u>
Gearing ratio	<u>17.5%</u>	<u>9.3%</u>	<u>23.7%</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.

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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		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Financial assets			
<i>Loans and receivables</i>			
- Trade and other receivables	22,620	16,372	60,204
- Amount due from a director	—	7,646	8,876
- Pledged bank deposits	8,717	4,205	21,209
- Cash and bank balances	52,118	115,103	59,754
	<u>83,455</u>	<u>143,326</u>	<u>150,043</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	36,881
- Amount due to a director	1,058	—	—
- Bank borrowings	11,316	7,600	19,819
- Obligation under finance lease	586	385	230
	<u>42,250</u>	<u>51,722</u>	<u>56,390</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.

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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 inputs include the discount rates 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	1,517	—	—	1,517
	<u>1,517</u>	<u>761</u>	<u>—</u>	<u>2,278</u>

Level 2 investment funds comprise shares in investment funds that are stated 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.

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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, including amount due from a director and bank balances. 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 and 2015 and 30 September 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 7% and 94% of the Group's trade receivables as at 31 December 2014 and 2015 and 30 September 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.

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All of the Group's bank borrowings as at 31 December 2014 and 2015 and 30 September 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/period and retained profits			
	Year ended 31 December		Nine months ended 30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Changes in interest rate				
+1%	(24)	(10)	(12)	(22)
-1%	24	10	12	22

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.

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The Group is exposed to currency risk primarily through cash at banks and time deposits placed with banks that are denominated in Renminbi "RMB" and bank borrowings that are denominated in EUR.

The carrying amount of the Group's major financial assets and liabilities denominated in a currency other than the functional currency of the Group as at 31 December 2014, 2015 and 30 September 2016 is as follows:

	As at 31 December		As at 30
	2014	2015	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net financial assets/(liabilities)			
RMB	9,024	18	18
EUR	<u>12</u>	<u>—</u>	<u>(1,330)</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/(Decrease) in profit for the year and retained profits			
	Year ended		Nine months ended	
	31 December		30 September	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
RMB appreciated by 3%	271	1	—	1
EUR appreciated by 3%	<u>—</u>	<u>—</u>	<u>—</u>	<u>(40)</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.

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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 HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000
As at 31 December 2014				
Trade payables and accruals	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>
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	385	395	215	180
	<u>51,722</u>	<u>51,827</u>	<u>51,647</u>	<u>180</u>
As at 30 September 2016				
Trade payables and accruals	36,881	36,881	36,881	—
Bank borrowings	19,819	20,123	20,123	—
Obligation under finance lease	230	233	215	18
	<u>56,930</u>	<u>57,237</u>	<u>57,219</u>	<u>18</u>

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39. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 September 2016:

- (a) In December 2016, an interim dividend of HK\$10,000,000 was declared by subsidiaries of the Company to its then respective shareholder(s). Such dividend was paid in full on 31 December 2016;
- [(b) Pursuant to the resolution passed by the sole shareholder of the Company on [●], 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 [●], and subject to the same conditions as stated in the sub-paragraph headed "[REDACTED]" in the section headed "Structure and Conditions of the [REDACTED]" included in the [REDACTED] of the Company, the following have been approved:
 - (i) The [REDACTED] of [REDACTED] new shares of the Company at [REDACTED] of not more than HK\$[REDACTED] per [REDACTED] and not less than HK\$[REDACTED] per [REDACTED] (the "[REDACTED]");
 - (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 [REDACTED], the issue of a total of [REDACTED] shares [at par] by the Company to Luxury Booming by way of capitalising an amount of approximately HK\$[REDACTED] 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 [REDACTED].]

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 September 2016.

Yours faithfully,

BDO Limited

Certified Public Accountants

[●]

Practising Certificate Number: [●]

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 [REDACTED], 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 [REDACTED] and the Accountant's Report set forth in Appendix I to this [REDACTED].

(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 [REDACTED] might have affected the combined net tangible assets of the Company after the completion of the [REDACTED] as if the [REDACTED] had taken place on 30 September 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 [REDACTED] been completed on 30 September 2016 or at any future dates.

	Combined net tangible assets of the Company as at [30 September 2016] HK\$'000 (Note 1)	Estimated net proceeds from the [REDACTED] HK\$'000 (Note 2)	Unaudited pro forma combined net tangible assets of the Company HK\$'000	Unaudited pro forma combined net tangible assets per Share HK\$ (Note 3)
Based on [REDACTED] of HK\$[REDACTED] per Share	<u>84,647</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on [REDACTED] of HK\$[REDACTED] per Share	<u>84,647</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

1. The combined net tangible assets of the Company as at 30 September 2016 are based on audited combined net assets of the Company as at 30 September 2016 of HK\$84,647,000 as shown in the Accountant's Report set out in Appendix I to this [REDACTED].

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2. The estimated net proceeds from the [REDACTED] are based on [REDACTED] Shares to be issued at the minimum and maximum indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per share, respectively, after deduction of the underwriting fees and related expenses of approximately HK\$[REDACTED] or HK\$[REDACTED], based on the [REDACTED] of HK\$[REDACTED] or HK\$[REDACTED] per Share, payable and borne by the Company which has not been reflected in combined net tangible assets of the Company as at 30 September 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 [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue assuming the [REDACTED] had been completed on 30 September 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 [REDACTED].

4. 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 30 September 2016.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 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 [●]. 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 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

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(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

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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;

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- (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.

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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.

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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

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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

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- (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 have one vote for every share which is fully paid or credited as fully paid registered in his name in

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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.

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(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.

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(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.

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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 summarized 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

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- (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.

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(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;
- (iv) writing-off the preliminary expenses of the company; and

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (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.

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.

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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.

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.

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(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
- (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).

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The undertaking for the Company is for a period of 20 years from [date].

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.

(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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(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.

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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(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.

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 [REDACTED]. 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.

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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 [REDACTED].

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 [●] 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 one Share 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 [●] 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 [REDACTED] 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 [REDACTED] Shares will be allotted and issued, fully paid or credited as fully paid and [REDACTED] 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

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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 [●] 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 [REDACTED]” in this [REDACTED]:
- (i) the [REDACTED] was approved and the Directors or any committee of the Board were authorised to (aa) allot and issue the [REDACTED] pursuant to the [REDACTED] to rank pari passu with the then existing Shares in all respects; (bb) implement the [REDACTED] and the [REDACTED] of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the [REDACTED] and the [REDACTED] 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 [REDACTED] pursuant to the [REDACTED], the Directors were authorised to capitalise a maximum amount of HK\$[REDACTED] 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 [REDACTED] 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;

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- (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 [REDACTED] (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 [REDACTED] (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;

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- (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 [REDACTED] 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 [REDACTED], with effect upon the [REDACTED].

4. Reorganisation

The companies comprising the Group underwent a Reorganisation in preparation for the [REDACTED], details of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this [REDACTED]. 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 [REDACTED] (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 [REDACTED].

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 [REDACTED].

Save as mentioned in the section headed “History, Reorganisation and corporate structure — Establishment and development of the subsidiaries of the Company” in this [REDACTED], there was no change in the share capital of the subsidiaries of the Company during the two years preceding the date of this [REDACTED].

Save for the subsidiaries mentioned in Appendix I to this [REDACTED], the Company has no other subsidiaries.

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6. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this [REDACTED] 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 [●] 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.

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(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after [REDACTED], could accordingly result in up to [REDACTED] 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 [REDACTED] 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 [REDACTED]. 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.

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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 [REDACTED].

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 [REDACTED] and are or may be material:

- (a) the Reorganisation Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the [REDACTED] Underwriting Agreement.


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2. Intellectual property rights of the Group

(a) *Trademark*

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.

(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 [REDACTED].

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.

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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 [REDACTED] (without taking into account the Shares which may be issued upon to 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	[REDACTED] ordinary Shares	[REDACTED]%
Mr. Leung (<i>Note</i>)	Interest in a controlled corporation; interest held jointly with another person	[REDACTED] ordinary Shares	[REDACTED]%

Note: Mr. Lee and Mr. Leung respectively held 75% and 25% of the issued shares of Luxury Booming, which in turn held [REDACTED]% 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.

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(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 [REDACTED] until terminated by not less than three months' notice in writing served by either party. Commencing from the [REDACTED], 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 (HK\$)
Mr. Lee	[2,340,000]
Mr. Chan	[1,040,000]

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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 [REDACTED] 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 [REDACTED], 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 (HK\$)
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\$2.5 million was paid to the Directors as remuneration and benefits in kind by the Group for the two years ended 31 December 2015 and the nine months ended 30 September 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 [REDACTED] excluding management bonus.

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2. Substantial shareholders

So far as the Directors are aware, immediately following the completion of the Capitalisation Issue and the [REDACTED] and taking no account of any Shares which may be taken up under the [REDACTED] 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	[REDACTED] ordinary Shares	[REDACTED]%
Ms. Lam (<i>Note 1</i>)	Interest of spouse	[REDACTED] ordinary Shares	[REDACTED]%
Ms. Ku (<i>Note 2</i>)	Interest of Spouse	[REDACTED] ordinary Shares	[REDACTED]%

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 interest in under the SFO.

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3. Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this [REDACTED] as mentioned in note 35 of the Accountant's Report set out in Appendix I to this [REDACTED].

4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" in this [REDACTED]:

- (a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED] 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 [REDACTED] 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 [REDACTED], 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 [REDACTED] 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

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- (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 [●] 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.

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(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

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(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 [REDACTED] shall be used as the closing price for any Trading Day falling within the period before the [REDACTED].

(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 [REDACTED] (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 [REDACTED] Shares in issue on the [REDACTED], the Scheme Mandate Limit will be equivalent to [REDACTED] Shares, representing 10% of the Shares in issue as at the [REDACTED].
- (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.

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- (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

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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.

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(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

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- (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 [REDACTED], 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.

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(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.

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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 [REDACTED] 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 [REDACTED] 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.

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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 [REDACTED] 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 two years ended 31 December 2015 and the nine months ended 30 September 2016 (the “**Accounts**”) as set out in Appendix I to this [REDACTED] and to the extent that such taxation is incurred or accrued since 30 September 2016 which arises in the ordinary course of business of the Group as described in the section headed “Business” in the [REDACTED];
 - (ii) falling on any member of the Group on or after [REDACTED], 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 [REDACTED];
 - (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

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- (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 [REDACTED] 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, tortuous 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 [REDACTED].

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 or the BVI or Hong Kong, 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 [REDACTED], 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 [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this [REDACTED], including the [REDACTED] 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.

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6. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this [REDACTED] 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 [REDACTED] with the inclusion of its reports, letters, opinions or summaries, dated the date of this [REDACTED], thereof (as the case may be) and the references to its name included in this [REDACTED] 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 [REDACTED].

9. Binding effect

This [REDACTED] 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 [REDACTED], within the two years preceding the date of this [REDACTED]:
 - (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;

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- (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 [REDACTED], save as disclosed in “Summary — No material adverse change” in this [REDACTED], there has been no material adverse change in the financial or trading position or prospects of the Group since 30 September 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 30 September 2016 which would materially affect the information as shown in the Accountant’s Report in Appendix I to this [REDACTED].
- (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 [REDACTED].
- (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.

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11. **Bilingual [REDACTED]**

The English language and the Chinese language versions of this [REDACTED] 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 [REDACTED] 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.

The documents attached to the copy of this [REDACTED] delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the section headed “E. Other information — 7. Consents of experts” in Appendix IV to this [REDACTED] 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 [REDACTED].

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 [REDACTED]:

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**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

11. the written consents referred to the section headed “E. Other information — 7. Consents of experts” in Appendix IV to this [REDACTED]; and
12. the Share Option Scheme.