

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

*The following is the text of a report received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.*

**Deloitte.**  
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[Date]

The Directors  
Lap Kei Engineering (Holdings) Limited

Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Lap Kei Engineering (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 December 2014 and the three-month period ended 31 March 2015 (the “Track Record Period”) for inclusion in the document of the Company dated [●] in connection with [REDACTED] (the “Stock Exchange”) (the “Document”).

The Company, which acts as an investment holding company, was incorporated in the Cayman Islands as an exempted company with limited liability on 29 April 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a group reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Document (the “Reorganisation”), the Company became the holding company of the Group on 18 May 2015.

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At the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group as at			Date of this report	Principal activities
				31 December 2013	31 March 2014	31 March 2015		
LKW Enterprise Limited (“LKW Enterprise”)*	British Virgin Islands (the “BVI”) 19 March 2015	Hong Kong	United States dollars (“US\$”) 100	N/A	N/A	100%	100%	Investment holding
Lap Kei Engineering Company Limited (“Lap Kei”)	Hong Kong 22 December 1997	Hong Kong	HK\$600,000	100%	100%	100%	100%	Building services engineering
Wealth E & M Limited (“Wealth E & M”)	Hong Kong 30 April 2004	Hong Kong	HK\$10,000	100%	100%	100%	100%	Building services engineering

\* Directly held by the Company

Each of the Company and its subsidiaries has adopted 31 December as its financial year end date.

No statutory audited financial statements have been prepared for the Company and LKW Enterprise since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

The statutory financial statements of Lap Kei and Wealth E & M for the year ended 31 December 2013 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by Messrs. C. K. Liu & Company, Certified Public Accountants registered in Hong Kong. For the year ended 31 December 2014, Lap Kei and Wealth E & M had applied, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, and the statutory financial statements of Lap Kei and Wealth E & M for the year ended 31 December 2014 were audited by us.

For the purpose of this report, the directors of LKW Enterprise have prepared the consolidated financial statements of LKW Enterprise and its subsidiaries for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 of Section A below. No adjustment is considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Document.

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The Underlying Financial Statements are the responsibility of the directors of LKW Enterprise who approved their issue. The directors of the Company are responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2013, 31 December 2014 and 31 March 2015 and of the combined results and cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the three-month period ended 31 March 2014 together with the notes thereon (the "March 2014 Financial Information") have been extracted from the Group's unaudited combined financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the March 2014 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. Our review of the March 2014 Financial Information consists of making enquiries, primarily of persons responsible for financial and account matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards of 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 March 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the March 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

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**A. FINANCIAL INFORMATION**

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 December</b>		<b>Three-month period ended 31 March</b>	
		<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2015</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Revenue	5	145,505	135,493	25,223	43,397
Cost of sales		<u>(118,213)</u>	<u>(98,910)</u>	<u>(20,143)</u>	<u>(30,877)</u>
Gross profit		27,292	36,583	5,080	12,520
Other income		409	378	25	14
Administrative expenses		(6,932)	(7,728)	(1,964)	(2,787)
Finance costs	6	<u>(285)</u>	<u>(193)</u>	<u>(54)</u>	<u>(38)</u>
Profit before taxation		20,484	29,040	3,087	9,709
Income tax expense	7	<u>(3,621)</u>	<u>(4,787)</u>	<u>(508)</u>	<u>(1,600)</u>
Profit and total comprehensive income for the year/period	8	<u><u>16,863</u></u>	<u><u>24,253</u></u>	<u><u>2,579</u></u>	<u><u>8,109</u></u>

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**COMBINED STATEMENTS OF FINANCIAL POSITION**

		As at 31 December		As at 31
		2013	2014	March
	Notes	HK\$'000	HK\$'000	2015
				HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	13	4,764	6,044	5,896
Prepayment and deposit paid for a life insurance policy	14	<u>1,104</u>	<u>1,117</u>	<u>1,120</u>
		<u>5,868</u>	<u>7,161</u>	<u>7,016</u>
<b>Current assets</b>				
Inventories — raw materials and consumables		64	36	40
Amounts due from customers for contract work	15	17,543	23,646	30,518
Trade and other receivables	16	37,245	42,467	42,146
Amount due from a director	17	2,462	10,711	711
Bank balances and cash	18	<u>9,548</u>	<u>34,651</u>	<u>24,373</u>
		<u>66,862</u>	<u>111,511</u>	<u>97,788</u>
<b>Current liabilities</b>				
Amounts due to customers for contract work	15	1,865	1,668	2,535
Trade and other payables	19	20,496	46,546	33,383
Dividend payable		—	—	12,002
Amount due to a related party	17	—	211	313
Tax payable		2,510	4,772	6,372
Bank borrowings	20	9,686	7,563	6,766
Bank overdrafts	18	<u>—</u>	<u>586</u>	<u>—</u>
		<u>34,557</u>	<u>61,346</u>	<u>61,371</u>
<b>Net current assets</b>		<u>32,305</u>	<u>50,165</u>	<u>36,417</u>
<b>Net assets</b>		<u>38,173</u>	<u>57,326</u>	<u>43,433</u>
<b>Capital and reserve</b>				
Share capital	21	610	610	1
Reserves		<u>37,563</u>	<u>56,716</u>	<u>43,432</u>
		<u>38,173</u>	<u>57,326</u>	<u>43,433</u>

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**COMBINED STATEMENTS OF CHANGES IN EQUITY**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Merger reserve</b> <i>HK\$'000</i> <i>(note)</i>	<b>Accumulated profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2013	610	—	20,700	21,310
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>16,863</u>	<u>16,863</u>
At 31 December 2013	610	—	37,563	38,173
Profit and total comprehensive income for the year	—	—	24,253	24,253
Dividend recognised as distribution ( <i>note 9</i> )	<u>—</u>	<u>—</u>	<u>(5,100)</u>	<u>(5,100)</u>
At 31 December 2014	610	—	56,716	57,326
Effect of reorganisation	(609)	609	—	—
Profit and total comprehensive income for the period	—	—	8,109	8,109
Dividend recognised as distribution ( <i>note 9</i> )	<u>—</u>	<u>—</u>	<u>(22,002)</u>	<u>(22,002)</u>
At 31 March 2015	<u><u>1</u></u>	<u><u>609</u></u>	<u><u>42,823</u></u>	<u><u>43,433</u></u>
(Unaudited)				
At 1 January 2014	610	—	37,563	38,173
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>2,579</u>	<u>2,579</u>
At 31 March 2014	<u><u>610</u></u>	<u><u>—</u></u>	<u><u>40,142</u></u>	<u><u>40,752</u></u>

*Note:* Merger reserve represented the difference between the aggregated share capital of the relevant subsidiaries (which were transferred from the Controlling Shareholders (defined in note 1) to LKW Enterprise pursuant to the Reorganisation as set out in note 1) and the newly issued share capital of LKW Enterprise.

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**COMBINED STATEMENTS OF CASH FLOWS**

	Year ended 31 December		Three-month period ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	20,484	29,040	3,087	9,709
Adjustments for:				
Depreciation of property, plant and equipment	760	543	167	148
Interest expenses	285	193	54	38
Interest income	(17)	(27)	(7)	(14)
	<u>21,512</u>	<u>29,749</u>	<u>3,301</u>	<u>9,881</u>
Operating cash flows before movements in working capital	21,512	29,749	3,301	9,881
Decrease (increase) in inventories	13	28	6	(4)
Decrease (increase) in amounts due from customers for contract work	9,571	(6,103)	2,517	(6,872)
(Increase) decrease in trade and other receivables	(16,234)	(5,222)	4,214	321
Increase (decrease) in amounts due to customers for contract work	54	(197)	20	867
Increase (decrease) in trade and other payables	2,253	26,050	(4,981)	(13,163)
(Decrease) increase in amount due to a related party	(5)	211	—	102
	<u>17,164</u>	<u>44,516</u>	<u>5,077</u>	<u>(8,868)</u>
Cash generated from (used in) operations	17,164	44,516	5,077	(8,868)
Hong Kong Profits Tax paid	(1,600)	(2,525)	—	—
	<u>15,564</u>	<u>41,991</u>	<u>5,077</u>	<u>(8,868)</u>
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>				
<b>INVESTING ACTIVITIES</b>				
Advance to a director	(2,462)	(14,461)	—	—
Purchase of property, plant and equipment	—	(1,823)	—	—
Repayment from a director	—	1,112	—	—
Interest received	1	14	3	11
	<u>(2,461)</u>	<u>(15,158)</u>	<u>3</u>	<u>11</u>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>				

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	Year ended 31 December		Three-month period ended 31 March	
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
			(Unaudited)	
<b>FINANCING ACTIVITIES</b>				
Repayment to a director	(3,667)	—	—	—
Repayment of bank borrowings	(3,786)	(2,123)	(525)	(797)
Interest paid	(285)	(193)	(54)	(38)
New bank borrowings raised	3,000	—	—	—
Advance from a director	150	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(4,588)</u>	<u>(2,316)</u>	<u>(579)</u>	<u>(835)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	8,515	24,517	4,501	(9,692)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD</b>	<u>1,033</u>	<u>9,548</u>	<u>9,548</u>	<u>34,065</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>	<u>9,548</u>	<u>34,065</u>	<u>14,049</u>	<u>24,373</u>
<b>Represented by</b>				
Bank balances and cash	9,548	34,651	14,049	24,373
Bank overdrafts	—	(586)	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>9,548</u>	<u>34,065</u>	<u>14,049</u>	<u>24,373</u>

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### NOTES TO THE FINANCIAL INFORMATION

#### 1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 April 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office and the principal place of business is disclosed in the section “Corporate Information” in the Document.

The companies now comprising the Group underwent a series of reorganisation. Prior to the Reorganisation, the entire equity interests of Lap Kei and Wealth E & M were directly held by two individuals, namely Mr. Wong Kang Kwong (“Mr. Wong”) and Ms. So Nui Ho (“Mrs. Wong”), spouse of Mr. Wong (collectively referred to as the “Controlling Shareholders”). Lap Kei and Wealth E & M were beneficially and wholly owned by the Controlling Shareholders collectively.

On 19 March 2015, LKW Enterprise was incorporated in the BVI with limited liability and is wholly-owned by the Controlling Shareholders.

On 31 March 2015, the Controlling Shareholders transferred their entire equity interests in Lap Kei and Wealth E & M to LKW Enterprise. In consideration of the transfer, LKW Enterprise allotted and issued 99 new shares of US\$1 each to the Controlling Shareholders. Lap Kei and Wealth E & M then became wholly-owned subsidiaries of LKW Enterprise. This transaction is considered as a common control business combination as all the entities involved in the business combination were controlled by the Controlling Shareholders before and after the combination, and, accordingly, it is accounted for under merger accounting.

Pursuant to the Reorganisation, which was completed by interspersing Golden Luck Limited (“Golden Luck”), which was an investment holding company incorporated in the BVI with limited liability, and the Company between the Controlling Shareholders and LKW Enterprise, the Company became the holding company of the companies now comprising the Group on 18 May 2015. Golden Luck is the immediate and ultimate holding company of the Company after the Reorganisation and not forming part of the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period or since the respective dates of incorporation, which is a shorter period. The combined statements of financial position of the Group as at 31 December 2013 and 2014 and 31 March 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taken into account the respective dates of incorporation.

The Financial Information is presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company.

#### 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied all new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2015 throughout the Track Record Period.

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At the date of this report, the HKICPA has issued the following new standards and amendments that are not yet effective. The Group has not early adopted these new standards and amendments.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

### HKFRS 15 “Revenue from Contracts with Customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the Standard introduces a 5-step 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 the performance obligations in the contract

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

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

The management of the Group anticipates that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The management of the Group anticipates that the application of other new standards and amendments will have no material impact on the Financial Information of the Group.

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### 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

The principal accounting policies are set out below.

#### **Basis of combination**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

#### **Merger accounting for business combination involving entities under common control**

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

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The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

The Group's policy for recognition of revenue from contracts is described in the accounting policy for contracts below.

#### *Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### *Maintenance, repair and other service income*

Maintenance and repair service income is recognised on a straight-line basis over the terms of the relevant contract.

Other service income including that from replacement of parts in electrical and maintenance system is recognised when services are provided.

### **Building services engineering contracts**

When the outcome of a building services engineering contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by the proportion that the value of work carried out during the year. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a building services engineering contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as ‘prepaid lease payments’ in the combined statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### **Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from ‘profit before taxation’ as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference

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arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### *Current and deferred tax for the year/period*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### **Property, plant and equipment**

Property, plant and equipment including leasehold land and buildings (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Impairment of tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### *Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### *Financial assets*

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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Interest income is recognised on an effective interest basis for debt instruments.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables (including deposit paid for a life insurance policy, trade and other receivables, amount due from a director and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables, where the recognition of interest would be immaterial.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

### Financial liabilities

Financial liabilities, including trade and other payables, amount due to a related party, bank borrowings and bank overdrafts, are subsequently measured at amortised cost, using the effective interest method.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Estimated outcome of building services engineering contracts**

The Group recognises contract revenue and cost of a building services engineering contract according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management frequent reviews and revises the estimates of both estimated revenue and costs for the building services engineering contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

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**Estimated impairment of trade and retention receivables**

Management estimates the recoverability of trade and retention receivables at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 December 2013 and 2014 and 31 March 2015, the carrying amounts of trade and retention receivables of the Group were HK\$35,723,000, HK\$40,816,000 and HK\$39,839,000, respectively.

**5. REVENUE AND SEGMENT INFORMATION**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the management of the Group, in order for CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (i) Building services engineering work — provision of building services engineering work including ventilation and air-conditioning system, electrical system, plumbing and drainage system, fire system and other related works
- (ii) Maintenance, repair and other services — provision of maintenance and repair services for building services system and replacement of parts

The Group’s CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the Group’s CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

**Segment revenue and results**

The following is an analysis of the Group’s revenue and results by operating segments:

For the year ended 31 December 2013

	<b>Building services engineering work HK\$’000</b>	<b>Maintenance, repair and other services HK\$’000</b>	<b>Total HK\$’000</b>
Segment revenue			
External sales	<u>127,400</u>	<u>18,105</u>	<u>145,505</u>
Segment results	<u>19,875</u>	<u>7,417</u>	27,292
Other income			409
Central administrative expenses			(6,932)
Finance costs			<u>(285)</u>
Profit before taxation			<u>20,484</u>

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For the year ended 31 December 2014

	<b>Building services engineering work</b> <i>HK\$'000</i>	<b>Maintenance, repair and other services</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Segment revenue			
External sales	<u>118,360</u>	<u>17,133</u>	<u>135,493</u>
Segment results	<u>30,257</u>	<u>6,326</u>	36,583
Other income			378
Central administrative expenses			(7,728)
Finance costs			<u>(193)</u>
Profit before taxation			<u>29,040</u>

For the three-month period ended 31 March 2014 (Unaudited)

	<b>Building services engineering work</b> <i>HK\$'000</i>	<b>Maintenance, repair and other services</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Segment revenue			
External sales	<u>21,340</u>	<u>3,883</u>	<u>25,223</u>
Segment results	<u>3,480</u>	<u>1,600</u>	5,080
Other income			25
Central administrative expenses			(1,964)
Finance costs			<u>(54)</u>
Profit before taxation			<u>3,087</u>

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For the three-month period ended 31 March 2015

	<b>Building services engineering work HK\$'000</b>	<b>Maintenance, repair and other services HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue			
External sales	<u>37,377</u>	<u>6,020</u>	<u>43,397</u>
Segment results	<u>9,529</u>	<u>2,991</u>	12,520
Other income			14
Central administrative expenses			(2,787)
Finance costs			<u>(38)</u>
Profit before taxation			<u>9,709</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results mainly represented gross profit earned by each segment.

**Geographical information**

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operation.

Revenue from customers in respect of building services engineering work during the Track Record Period individually contributing over 10% of the Group's revenue is as follows:

	<b>Year ended 31 December</b>		<b>Three-month period ended</b>	
	<b>2013</b>	<b>2014</b>	<b>31 March</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	23,444	N/A <sup>1</sup>	3,059	N/A <sup>1</sup>
Customer B	19,788	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer C	N/A <sup>1</sup>	21,491	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer D	N/A <sup>1</sup>	15,985	N/A <sup>1</sup>	12,908
Customer E	N/A <sup>1</sup>	N/A <sup>1</sup>	4,002	N/A <sup>1</sup>
Customer F	N/A <sup>1</sup>	N/A <sup>1</sup>	3,173	N/A <sup>1</sup>
Customer G	N/A <sup>1</sup>	N/A <sup>1</sup>	2,922	N/A <sup>1</sup>
Customer H	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>12,661</u>

<sup>1</sup> Revenue from the customer is less than 10% of the total revenue of the Group.

No single customers in respect of maintenance, repair and other services contributed 10% or more to the Group's revenue for the Track Record Period.

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**6. FINANCE COSTS**

	Year ended 31 December		Three-month period ended	
	2013	2014	31 March	
	HK\$'000	HK\$'000	2014	2015
			HK\$'000	HK\$'000
			(Unaudited)	
Interest on bank borrowings wholly repayable within five years	285	193	54	38

**7. INCOME TAX EXPENSE**

	Year ended 31 December		Three-month period ended	
	2013	2014	31 March	
	HK\$'000	HK\$'000	2014	2015
			HK\$'000	HK\$'000
			(Unaudited)	
Hong Kong Profits Tax				
— Current year	3,458	4,787	508	1,600
— Underprovision in prior year	163	—	—	—
	<u>3,621</u>	<u>4,787</u>	<u>508</u>	<u>1,600</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.

The tax charge for the Track Record Period can be reconciled to profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Three-month period ended	
	2013	2014	31 March	
	HK\$'000	HK\$'000	2014	2015
			HK\$'000	HK\$'000
			(Unaudited)	
Profit before taxation	20,484	29,040	3,087	9,709
Tax at Hong Kong Profits Tax rate of 16.5%	3,380	4,792	509	1,602
Tax effect of income not taxable for tax purpose	(3)	(5)	(1)	(2)
Tax effect of expense not deductible for tax purpose	81	—	—	—
Underprovision in prior year	163	—	—	—
Income tax expense for the year/period	<u>3,621</u>	<u>4,787</u>	<u>508</u>	<u>1,600</u>

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**8. PROFIT FOR THE YEAR/PERIOD**

	Year ended 31 December		Three-month period ended	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)			
Profit for the year/period has been arrived at after charging (crediting):				
Directors' remuneration	1,657	1,768	423	450
Other staff costs:				
Salaries and other allowances	23,563	23,834	5,593	6,271
Retirement benefit scheme contributions	952	956	238	241
	<u>26,172</u>	<u>26,558</u>	<u>6,254</u>	<u>6,962</u>
Total staff costs				
Auditor's remuneration	131	700	53	175
Depreciation of property, plant and equipment	760	543	167	148
Bank interest income	(1)	(14)	(3)	(11)
Interest income on a deposit paid for a life insurance policy	(16)	(13)	(4)	(3)
	<u>(16)</u>	<u>(13)</u>	<u>(4)</u>	<u>(3)</u>

**9. DIVIDEND**

During the year ended 31 December 2014, an interim dividend of HK\$5,100,000 (HK\$8.5 per share) was recognised as distribution by Lap Kei to its then shareholders, namely Mr. Wong and Mrs. Wong.

During the three-month period ended 31 March 2015, an interim dividend of HK\$22,002,000 (HK\$36.7 per share) was recognised as distribution by Lap Kei to its then shareholders, namely Mr. Wong and Mrs. Wong.

No dividend is paid or proposed during the year ended 31 December 2013 and the three-month period ended 31 March 2014.

**10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS**

Details of the emoluments paid or payable to the directors of subsidiaries, who will be appointed as the directors of the Company, during the Track Record Period are as follows:

	Directors' fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2013				
Executive directors:				
Mr. Wong	—	1,093	15	1,108
Mrs. Wong	—	534	15	549
	<u>—</u>	<u>1,627</u>	<u>30</u>	<u>1,657</u>
Total				
	<u>—</u>	<u>1,627</u>	<u>30</u>	<u>1,657</u>

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	<b>Directors’ fees HK\$’000</b>	<b>Salaries and other allowances HK\$’000</b>	<b>Retirement benefit scheme contributions HK\$’000</b>	<b>Total HK\$’000</b>
Year ended 31 December 2014				
Executive directors:				
Mr. Wong	—	1,157	17	1,174
Mrs. Wong	—	577	17	594
	<u>—</u>	<u>1,734</u>	<u>34</u>	<u>1,768</u>
Total	<u>—</u>	<u>1,734</u>	<u>34</u>	<u>1,768</u>

	<b>Directors’ fees HK\$’000</b>	<b>Salaries and other allowances HK\$’000</b>	<b>Retirement benefit scheme contributions HK\$’000</b>	<b>Total HK\$’000</b>
Three-month period ended 31 March 2014 (Unaudited)				
Executive directors:				
Mr. Wong	—	278	4	282
Mrs. Wong	—	137	4	141
	<u>—</u>	<u>415</u>	<u>8</u>	<u>423</u>
Total	<u>—</u>	<u>415</u>	<u>8</u>	<u>423</u>

	<b>Directors’ fees HK\$’000</b>	<b>Salaries and other allowances HK\$’000</b>	<b>Retirement benefit scheme contributions HK\$’000</b>	<b>Total HK\$’000</b>
Three-month period ended 31 March 2015				
Executive directors:				
Mr. Wong	—	293	5	298
Mrs. Wong	—	147	5	152
	<u>—</u>	<u>440</u>	<u>10</u>	<u>450</u>
Total	<u>—</u>	<u>440</u>	<u>10</u>	<u>450</u>

The emoluments of Mr. Wong and Mrs. Wong disclosed above include those services rendered by them to the companies now comprising the Group during the Track Record Period. [REDACTED]

None of the directors or the chief executive waived or agreed to waive any emolument during the Track Record Period.

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**11. EMPLOYEES' EMOLUMENTS**

The five highest paid individuals of the Group during the years ended 31 December 2013 and 2014 and the three-month periods ended 31 March 2014 and 2015 include 2, 2, 2 (unaudited) and 2 directors, respectively, details of whose emoluments are set out in note 10 above. Details of the emoluments of the remaining 3, 3, 3 (unaudited) and 3 individuals for the years ended 31 December 2013 and 2014 and the three-month periods ended 31 March 2014 and 2015, respectively, are as follows:

	Year ended 31 December		Three-month period ended	
	2013	2014	31 March 2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Salaries and other benefits	1,438	1,534	362	609
Discretionary bonus	1,634	2,620	—	—
Retirement benefit scheme contribution	45	50	11	12
	<u>3,117</u>	<u>4,204</u>	<u>373</u>	<u>621</u>

The emoluments were within the following bands:

	Year ended 31 December		Three-month period ended	
	2013	2014	31 March 2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Not exceeding HK\$1,000,000	2	2	3	3
HK\$1,500,001 to HK\$2,000,000	1	—	—	—
HK\$2,500,001 to HK\$3,000,000	—	1	—	—
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**12. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the results for the Track Record Period that is on a combined basis as set out in note 1.

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**13. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 January 2013 and 31 December 2013	5,058	758	448	1,487	7,751
Additions	—		—	1,823	1,823
Disposal	—	—	—	(1,098)	(1,098)
At 31 December 2014 and 31 March 2015	<u>5,058</u>	<u>758</u>	<u>448</u>	<u>2,212</u>	<u>8,476</u>
<b>DEPRECIATION</b>					
At 1 January 2013	389	473	352	1,013	2,227
Provided for the year	<u>133</u>	<u>190</u>	<u>66</u>	<u>371</u>	<u>760</u>
At 31 December 2013	522	663	418	1,384	2,987
Provided for the year	133	95	30	285	543
Eliminated on disposal	—	—	—	(1,098)	(1,098)
At 31 December 2014	655	758	448	571	2,432
Provided for the period	<u>34</u>	<u>—</u>	<u>—</u>	<u>114</u>	<u>148</u>
At 31 March 2015	<u>689</u>	<u>758</u>	<u>448</u>	<u>685</u>	<u>2,580</u>
<b>CARRYING VALUES</b>					
At 31 December 2013	<u>4,536</u>	<u>95</u>	<u>30</u>	<u>103</u>	<u>4,764</u>
At 31 December 2014	<u>4,403</u>	<u>—</u>	<u>—</u>	<u>1,641</u>	<u>6,044</u>
At 31 March 2015	<u>4,369</u>	<u>—</u>	<u>—</u>	<u>1,527</u>	<u>5,896</u>

The leasehold land and buildings are situated in Hong Kong and held under medium-term leases.

The above items of property, plant and equipment are depreciated over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the term of the lease of 38 years
Leasehold Improvements	20%–33 <sup>1</sup> / <sub>3</sub> %
Furniture, fixtures and equipment	20%–33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20%–33 <sup>1</sup> / <sub>3</sub> %

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**14. PREPAYMENT AND DEPOSIT PAID FOR A LIFE INSURANCE POLICY**

In 2012, Lap Kei entered into a life insurance policy with an insurance company on Mr. Wong. Under the policy, the beneficiary and policy holder is Lap Kei. Lap Kei is required to pay an upfront payment for the policy. Lap Kei may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the fifteen policy year, as appropriate, a pre-determined specified surrender charge would be imposed.

At the inception date, the upfront payment is separated into deposit placed and prepayment of life insurance premium, amounting to US\$130,000 (equivalent to HK\$1,012,000) and US\$8,000 (equivalent to HK\$62,000), respectively, according to the terms set out in the policy. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The deposit placed for the life insurance policy carries guaranteed interests at interest rates ranging from 2.15% to 4.15% plus a premium determined by the insurance company during the tenures of the policy. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policy, excluding the financial effect of surrender charge.

Particulars of the policy is as follows:

<b>Insured sum</b>	<b>Upfront payment</b>	<b>Guaranteed interest rates</b>	
		<b>First year</b>	<b>Second year and onwards</b>
US\$500,000 (equivalent to HK\$3,890,000)	US\$138,000 (equivalent to HK\$1,074,000)	4.15% per annum	2.15% per annum

The carrying amounts of deposit placed and prepayment of life insurance premium at the end of each reporting period are set out as below:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2013</b>	<b>2014</b>	<b>31 March</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposit paid	1,047	1,064	1,068
Peypament	<u>57</u>	<u>53</u>	<u>52</u>
	<u>1,104</u>	<u>1,117</u>	<u>1,120</u>

The carrying amount of the prepayment and deposit paid for a life insurance policy as at 31 December 2013 and 2014 and 31 March 2015 approximates the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in US\$.

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**15. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK**

	<b>As at 31 December</b>		<b>As at 31</b>
	<b>2013</b>	<b>2014</b>	<b>March</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of the reporting period:			
Contract costs incurred to date	160,386	193,815	195,999
Add: Recognised profits less recognised losses	<u>41,506</u>	<u>63,602</u>	<u>64,345</u>
	201,892	257,417	260,344
Less: Progress billings	<u>(186,214)</u>	<u>(235,439)</u>	<u>(232,361)</u>
	<u>15,678</u>	<u>21,978</u>	<u>27,983</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract work	17,543	23,646	30,518
Amounts due to customers for contract work	<u>(1,865)</u>	<u>(1,668)</u>	<u>(2,535)</u>
	<u>15,678</u>	<u>21,978</u>	<u>27,983</u>

As at 31 December 2013 and 2014 and 31 March 2015, retention held by customers for contract work amounting to HK\$11,481,000, HK\$9,207,000 and HK\$10,763,000, respectively, were as set out in note 16. Advance received from customers at 31 December, 2013 and 2014 and 31 March 2015 is HK\$74,000, HK\$15,975,000 and HK\$9,985,000, respectively.

**16. TRADE AND OTHER RECEIVABLES**

	<b>As at 31 December</b>		<b>As at 31</b>
	<b>2013</b>	<b>2014</b>	<b>March</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	24,242	31,609	29,076
Retention receivables ( <i>note</i> )	11,481	9,207	10,763
Other receivables, deposits and prepayments	<u>1,522</u>	<u>1,651</u>	<u>2,307</u>
Total trade and other receivables	<u>37,245</u>	<u>42,467</u>	<u>42,146</u>

*Note:* Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective project.

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The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

	<b>As at 31 December</b>		<b>As at 31</b>
	<b>2013</b>	<b>2014</b>	<b>March</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
On demand or within one year	6,527	5,549	5,483
After one year	<u>4,954</u>	<u>3,658</u>	<u>5,280</u>
	<u>11,481</u>	<u>9,207</u>	<u>10,763</u>

The Group allows a credit period of 30 days to its customers for its trade receivables.

The following is an aged analysis of trade receivables presented based on invoice dates at the end of each reporting period:

	<b>As at 31 December</b>		<b>As at 31</b>
	<b>2013</b>	<b>2014</b>	<b>March</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
0–30 days	13,401	14,412	19,101
31–60 days	2,846	12,775	3,062
61–90 days	1,339	956	1,241
> 90 days	<u>6,656</u>	<u>3,466</u>	<u>5,672</u>
	<u>24,242</u>	<u>31,609</u>	<u>29,076</u>

Included in the Group’s trade receivables balances as at 31 December 2013 and 2014 and 31 March 2015 are debtors with aggregate carrying amount of HK\$10,841,000, HK\$17,197,000 and HK\$9,975,000, respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 165 days, 92 days and 172 days as at 31 December 2013 and 2014 and 31 March 2015, respectively.

Ageing of trade receivables which are past due but not impaired

	<b>As at 31 December</b>		<b>As at</b>
	<b>2013</b>	<b>2014</b>	<b>31 March</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
31–60 days	2,846	12,775	3,062
61–90 days	1,339	956	1,241
> 90 days	<u>6,656</u>	<u>3,466</u>	<u>5,672</u>
	<u>10,841</u>	<u>17,197</u>	<u>9,975</u>

Included in the Group’s retention receivables balances as at 31 December 2013 and 2014 and 31 March 2015 are debtors with aggregate carrying amount of nil, HK\$89,000 and HK\$523,000, respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The remaining amounts of HK\$11,481,000, HK\$9,118,000 and HK\$10,240,000 as at 31 December 2013 and 2014 and 31 March 2015, respectively, are not yet due. The Group does not hold any collateral over these balances. The average age of these receivables is nil, 246 days and 199 days as at 31 December 2013 and 2014 and 31 March 2015, respectively.

Before accepting any new customer, the Group assesses the potential customer’s credit quality and defines credit limits by customer. The majority of the Group’s trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

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The Group’s trade receivables that are neither past due nor impaired relate to customers for whom there was no recent history of default.

In determining the recoverability of trade and retention receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period.

**17. AMOUNTS DUE FROM (TO) A DIRECTOR/A RELATED PARTY**

	As at 1 January 2013 HK\$’000	As at 31 December 2013 HK\$’000	2014 HK\$’000	As at 31 March 2015 HK\$’000
Amount due (to) from a director ( <i>note a</i> )	<u>(3,517)</u>	<u>2,462</u>	<u>10,711</u>	<u>711</u>
Amount due to a related party ( <i>note b</i> )	<u>(5)</u>	<u>—</u>	<u>(211)</u>	<u>(313)</u>

*Notes:*

- a. The amount is non-trade related, unsecured, interest-free and repayable on demand. The maximum outstanding amounts during the years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015 were HK\$2,462,000, HK\$10,711,000 and HK\$10,711,000, respectively. [REDACTED]
- b. The amount represents amount due to Kin Kwan Decoration Company Limited (“Kin Kwan”), the sole beneficial owner of which is a brother of Mr. Wong. The amount is trade-related, unsecured, interest-free and with a credit period of 30 days. The amount is aged within 30 days based on invoice dates at the end of each reporting period.

**18. BANK BALANCES AND CASH/BANK OVERDRAFTS**

Bank balances and cash comprise cash on hand and bank balances. Bank balances carry interest at prevailing market interest rates which were 0.01%, 0.01% and 0.01% per annum as at 31 December 2013 and 2014 and 31 March 2015, respectively.

Bank overdrafts carry interest at 2% over the higher of three-month Hong Kong Interbank Offered Rate (“HIBOR”) and Hong Kong Prime Rate per annum, and are repayable on demand. The effective interest rate on bank overdrafts as at 31 December 2014 is of 7.25% per annum.

**19. TRADE AND OTHER PAYABLES**

	As at 31 December 2013 HK\$’000	2014 HK\$’000	As at 31 March 2015 HK\$’000
Trade payables	14,535	15,515	11,687
Retention payables ( <i>note</i> )	194	819	1,075
Accruals	5,693	14,237	10,636
Receipt in advance	<u>74</u>	<u>15,975</u>	<u>9,985</u>
Total trade and other payables	<u>20,496</u>	<u>46,546</u>	<u>33,383</u>

*Note:* Retention payables are interest-free and payable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the completion date of the respective project.

The credit period on trade payables is 30 days.

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The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	As at 31 December		As at 31
	2013	2014	March
	HK\$'000	HK\$'000	2015
0–30 days	7,393	11,563	6,516
31–60 days	4,838	1,627	3,444
61–90 days	461	1,120	717
> 90 days	1,843	1,205	1,010
	<u>14,535</u>	<u>15,515</u>	<u>11,687</u>

The retention payables are to be settled within 1 year, based on the expiry of defect liability period, at the end of each reporting period.

**20. BANK BORROWINGS**

	As at 31 December		As at 31
	2013	2014	March
	HK\$'000	HK\$'000	2015
Bank borrowings — secured:			
Fixed rate	2,145	641	—
Variable rate	7,541	6,922	6,766
	<u>9,686</u>	<u>7,563</u>	<u>6,766</u>
Carrying amounts repayable ( <i>note</i> ):			
On demand or within one year	2,123	1,268	629
More than one year, but not exceeding two years	1,268	688	652
More than two years, but not exceeding five years	1,678	1,500	1,507
More than five years	4,617	4,107	3,978
	<u>9,686</u>	<u>7,563</u>	<u>6,766</u>
Amount shown under current liabilities	<u>9,686</u>	<u>7,563</u>	<u>6,766</u>

*Note:* All bank borrowings contain a repayment on demand clause and are shown under current liabilities. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

The fixed rate bank borrowings as at 31 December 2013 and 31 December 2014 carried interest at 3.25% per annum.

The variable rate bank borrowings amounting to HK\$4,858,000, HK\$4,462,000 and HK\$4,362,000 as at 31 December 2013, 31 December 2014 and 31 March 2015, respectively, carry interest at three-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.5% per annum. The remaining variable rate bank borrowings amounting to HK\$2,683,000, HK\$2,460,000 and HK\$2,404,000 as at 31 December 2013, 31 December 2014 and 31 March 2015, respectively, carry interests at Hong Kong Prime Rate less 3% per annum. The ranges of effective interest rates on borrowings as at 31 December 2013, 31 December 2014 and 31 March 2015 (which are also equal to contracted interest rate) are from 1.88% to 2.25%, 1.87% to 2.25% and 1.88% to 2.25% per annum, respectively.

The Group’s bank borrowings are denominated in HK\$. These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. The banking facilities are secured by a legal charge over two properties held by the Group (included in property, plant and equipment) and prepayment and deposit paid for a life insurance policy as disclosed in note 26, and certain properties owned by the Controlling Shareholders and guaranteed by personal guarantees provided by the Controlling Shareholders for unlimited amounts.

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**21. SHARE CAPITAL**

For the purpose of this report, the issued capital of the Group as at 1 January 2013, 31 December 2013 and 2014 represents the combined share capital of Lap Kei and Wealth E & M. The issued capital of the Group as at 31 March 2015 represents the share capital of LKW Enterprise.

**22. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 20, net of cash and cash equivalent, and equity attributable to owners of the Group, comprising issued share capital and accumulated profits.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends or new share issues as well as the issue of new debts and redemption of existing debts.

**23. FINANCIAL INSTRUMENTS**

**23a. Categories of financial instruments**

	<b>As at 31 December</b>		<b>As at 31</b>
	<b>2013</b>	<b>2014</b>	<b>March</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
<b>Financial assets</b>			
Loans and receivables (including cash and cash equivalents)	<u>48,884</u>	<u>87,322</u>	<u>66,172</u>
<b>Financial liabilities</b>			
Amortised cost	24,415	24,694	19,841
Dividend payable	<u>—</u>	<u>—</u>	<u>12,002</u>
	<u>24,415</u>	<u>24,694</u>	<u>31,843</u>

**23b. Financial risk management objectives and policies**

The Group’s financial instruments include deposit paid for a life insurance policy, trade and other receivables, amount due from a director, bank balances and cash, trade and other payables, dividend payable, amount due to a related company, bank borrowings and bank overdrafts.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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### **Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and deposit paid for a life insurance policy. The Group currently does not have an interest rate hedging policy.

The Group is also exposed to cash flow interest rate risk mainly in relation to bank balances, variable rate bank borrowings (see note 20 for details of these borrowings) and bank overdrafts, which are arranged at floating rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on HIBOR and Hong Kong Prime Rate arising from the Group's bank borrowings and bank overdrafts.

### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, bank borrowings and bank overdrafts outstanding at the end of the reporting period was outstanding for the whole year/period. A 50 basis points (2013: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank balances, variable rate bank borrowings and bank overdrafts had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015 would increased/decreased by approximately HK\$16,000, HK\$142,000 and HK\$94,000, respectively.

### **Credit risk**

As at 31 December 2013 and 2014 and 31 March 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2013 and 2014 and 31 March 2015 on trade and retention receivables from the Group's 5 major customers amounting to HK\$17,379,000, HK\$26,217,000 and HK\$26,425,000 respectively and accounted for 48.6%, 64.2% and 66.3%, respectively, of the Group's total trade and retention receivables. The major customers of the Group are certain reputable organisation. The management of the Group considers that the credit risk is limited in this regard.

Other than concentration of credit risk on trade and retention receivables, the Group has concentration of credit risk on amount due from a director. As at 31 December 2013 and 2014 and 31 March 2015, amount due from a director amounted to HK\$2,462,000, HK\$10,711,000 and HK\$711,000, respectively. Details are set out in note 17.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group exposed to concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

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**Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised banking facilities of approximately HK\$12,325,000, HK\$10,146,000 and HK\$15,966,000 as at 31 December 2013 and 2014 and 31 March 2015, respectively, in which HK\$12,125,000, HK\$9,946,000 and HK\$15,766,000 respectively, can only be utilised by issuance of performance bond by the bank in relation to building services engineering projects.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

*Liquidity and interest risk table*

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2013 HK\$'000
<b>31 December 2013</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	7,142	7,393	194	—	14,729	14,729
Fixed rate bank borrowings (note a)	3.25	2,145	—	—	—	2,145	2,145
Variable rate bank borrowings (note a)	2.03	7,541	—	—	—	7,541	7,541
		<u>16,828</u>	<u>7,393</u>	<u>194</u>	<u>—</u>	<u>24,415</u>	<u>24,415</u>
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
<b>31 December 2014</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	3,952	11,563	819	—	16,334	16,334
Amount due to a related party	—	211	—	—	—	211	211
Fixed rate bank borrowings (note a)	3.25	641	—	—	—	641	641
Variable rate bank borrowings (note a)	2.03	6,922	—	—	—	6,922	6,922
Bank overdrafts	7.25	586	—	—	—	586	586
		<u>12,312</u>	<u>11,563</u>	<u>819</u>	<u>—</u>	<u>24,694</u>	<u>24,694</u>

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	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2015 HK\$'000
<b>31 March 2015</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	5,171	6,516	1,075	—	12,762	12,762
Dividend payable	—	12,002	—	—	—	12,002	12,002
Amount due to a related party	—	313	—	—	—	313	313
Variable rate bank borrowings (note a)	2.03	6,766	—	—	—	6,766	6,766
		<u>24,252</u>	<u>6,516</u>	<u>1,075</u>	<u>—</u>	<u>31,843</u>	<u>31,843</u>

Note:

- a. Bank borrowings with a repayment on demand clause are included in the 'On demand or less than 1 month' time band in the above maturity analysis. As at 31 December 2013 and 2014 and 31 March 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$9,686,000, HK\$7,563,000 and HK\$6,766,000, respectively. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows (estimated based on the interest rate at the end of the reporting period) are set out below.

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
<b>31 December 2013</b>								
Fixed rate bank borrowings	3.25	129	259	1,164	644	—	2,196	2,145
Variable rate bank borrowings	2.03	63	127	570	2,768	5,213	8,741	7,541
		<u>192</u>	<u>386</u>	<u>1,734</u>	<u>3,412</u>	<u>5,213</u>	<u>10,937</u>	<u>9,686</u>
<b>31 December 2014</b>								
Fixed rate bank borrowings	3.25	129	259	256	—	—	644	641
Variable rate bank borrowings	2.03	63	127	570	2,606	4,611	7,977	6,922
		<u>192</u>	<u>386</u>	<u>826</u>	<u>2,606</u>	<u>4,611</u>	<u>8,621</u>	<u>7,563</u>
<b>31 March 2015</b>								
Variable rate bank borrowings	2.03	63	127	570	2,585	4,453	7,798	6,766

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The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined based on the interest rate as at the end of each reporting period.

### 23c. Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of all financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair values.

### 24. OPERATING LEASE ARRANGEMENT

The Group as lessee had made minimum lease payments of HK\$414,000, HK\$432,000, HK\$108,000 (unaudited) and HK\$108,000 under operating leases during the years ended 31 December 2013 and 2014 and the three-month periods ended 31 March 2014 and 2015, respectively, in respect of warehouses and office premises.

The Group had no commitments for future minimum lease payments under non-cancellable operating leases at the end of each reporting period.

### 25. RETIREMENT BENEFITS PLANS

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,250 per month (increased to HK\$1,500 per month effective from 1 June 2014) or 5% of the relevant payroll costs to the MPF Scheme.

The total cost charged to profit or loss of approximately HK\$982,000, HK\$990,000, HK\$246 (unaudited) and HK\$251 represents contributions paid or payable to the above scheme by the Group for the years ended 31 December 2013 and 2014 and the three-month periods ended 31 March 2014 and 2015, respectively. As at 31 December 2013, 31 December 2014 and 31 March 2015, contribution of approximately HK\$151,000, HK\$159,000 and HK\$165,000, respectively, due in respect of the corresponding reporting periods had not been paid over to the schemes.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

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**ACCOUNTANTS’ REPORT**

**26. PLEDGE OF ASSETS**

At the end of each reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure banking facilities granted by these banks to the Group are as follows:

	As at 31 December		As at 31
	2013	2014	March
	HK\$'000	HK\$'000	2015
Property, plant and equipment	4,631	4,403	4,369
Prepayment and deposit paid for a life insurance policy	<u>1,104</u>	<u>1,117</u>	<u>1,120</u>
	<u>5,735</u>	<u>5,520</u>	<u>5,489</u>

**27. RELATED PARTY DISCLOSURES**

(i) Transactions

During the Track Record Period, the Group entered into the following transaction with its related parties:

Related parties	Nature of transactions	Year ended 31 December		Three-month period ended 31 March	
		2013	2014	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Kin Kwan	Sub-contracting expense from building services engineering contracts	3,607	5,399	1	24
Mr. Wong and Mrs. Wong	Interim dividend	—	5,100	—	22,002
	Rental expense	<u>414</u>	<u>432</u>	<u>108</u>	<u>108</u>

In addition, during the Track Record Period, the Controlling Shareholders had provided certain properties and personal guarantees for unlimited amounts to banks to secure the banking facilities granted to the Group. Details are disclosed in note 20.

(ii) Balances

Details of the balances with related parties are set out in the combined statements of financial position and note 17.

(iii) Compensation of key management personnel

	Year ended 31 December		Three-month period ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Salaries and other allowances	1,627	1,734	415	773
Retirement benefit scheme contributions	<u>30</u>	<u>34</u>	<u>8</u>	<u>12</u>
	<u>1,657</u>	<u>1,768</u>	<u>423</u>	<u>785</u>

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

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**28. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31 December 2014 and the three-month period ended 31 March 2015, dividends amounting to HK\$5,100,000 and HK\$10,000,000, respectively, declared by Lap Kei were settled through the current account with a director.

**B. DIRECTORS' REMUNERATION**

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2015, excluding discretionary bonus, is estimated to be approximately [REDACTED].

**C. [SUBSEQUENT EVENTS]**

Except as disclosed elsewhere in the Financial Information, subsequent to 31 March 2015, the Group have the following subsequent events:

On 29 May 2015, Lap Kei and Wealth E & M entered into sales and purchase agreements with a company wholly-owned by Golden Luck to dispose of their leasehold land and buildings with an aggregate carrying amount of HK\$[●] at a total consideration of HK\$12,600,000. Subsequent to the disposal, the Group entered into an agreement with this company to lease back the leasehold land and buildings under an operating lease arrangement with a lease term of [●] years.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2015.

Yours faithfully,  
**[Deloitte Touche Tohmatsu]**  
*Certified Public Accountants*  
*Hong Kong*