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Application Proof of

LAP KEI ENGINEERING (HOLDINGS) LIMITED

立基工程(控股)有限公司

(the “**Company**”)

(incorporated in the Cayman Islands with limited liability)

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

LAP KEI ENGINEERING (HOLDINGS) LIMITED
立基工程(控股)有限公司
(incorporated in the Cayman Islands with limited liability)

**LISTING ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF [REDACTED]**

**Number of [REDACTED] Shares : [REDACTED] Shares (subject to the
[REDACTED])**
**[REDACTED] Price : Not more than HK\$[REDACTED] per
[REDACTED] Share and expected to be
not less than HK\$[REDACTED] per
[REDACTED] Share (plus brokerage of
1%, SFC transaction levy of 0.0027%
and Stock Exchange trading fee of
0.005%) (payable in full and subject to
refund)**
Nominal value : HK\$[0.01] each
Stock code : [REDACTED]

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

Bookrunner and Lead Manager
[REDACTED]

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[REDACTED]

[REDACTED]

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

You should rely only on the information contained in this document to make your investment decision. The Company, the Sponsor, the Bookrunner and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this document. Any information or representation not made nor contained in this document must not be relied on by you as having been authorised by the Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the [REDACTED]. The contents of the Company’s website at www.lapkeieng.com do not form part of this document.

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SUMMARY

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

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

BUSINESS OVERVIEW

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The Group undertakes building services engineering works which are mainly related to the supply, installation and maintenance of (i) ventilation and air-conditioning system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

During the Track Record Period, the Group undertook building services engineering projects from the private sector for each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015. The Group's revenue is derived from building services engineering projects relating to both existing building and new building. During the Track Record Period, all of the Group's revenue was derived in Hong Kong.

In executing a building services engineering project, subject to the scope of work under the engagement, the Group is generally responsible for the design of the relevant building services systems, planning of the engineering works, arrangement of direct labour and subcontractors, sourcing of materials and equipment, work supervision and quality control, and ensuring compliance with the customers' requirements. In certain projects, the Group also provides complementary fitting-out services.

The allocation of works between in-house team of workers and subcontractors are determined in a case-by-case basis. Based on the Group's internal policies on engaging subcontractors, the Group generally assigns its in-house workers to perform engineering works for air-conditioning system and electrical system, which usually include the installation and configuration of control panels and ancillary systems, while the Group generally assigns subcontractors to perform works such as fire services system, plumbing and drainage system, and fitting out works, which the Directors considered to be less technical in certain projects. The Group leverages on the expertise of its in-house engineering team to deliver quality work in conformity with customer's expectation and prescribed timeframe.

The Group's client base primarily consists of main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and in some cases, landlords or occasionally property developers or their consultants, who directly engage the Group as main contractor or as nominated subcontractor. The Group's building services engineering projects cover different types of buildings, including residential, commercial (e.g. office, hotel and shopping arcades, etc), industrial and institutional (e.g. hospital and academic institutions).

Revenue from a building services engineering project mainly represents the contract income, while main costs include subcontracting charges incurred by the Group, material and equipment costs, direct labour costs of in-house staff involved, and other supplies required for the performance of the works.

SUMMARY

The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering projects for existing building and new building; and (ii) maintenance projects which mainly include provision of maintenance and repair services for building services system and replacement of parts. For building services engineering projects, the Group is required to complete the engineering works in relation to the installation and/or upgrade of building services systems as set out in the scope of work under the contract. For maintenance projects, the Group is required to provide maintenance services for existing building services systems of a property and/or a portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

The following table sets out a breakdown of the Group’s revenue during the Track Record Period by building services engineering projects and maintenance projects:

	For the year ended 31 December				For the three-month period ended 31 March			
	2013		2014		2014		2015	
	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%
					(Unaudited)			
Building services engineering projects	127,400	87.6	118,360	87.4	21,340	84.6	37,377	86.1
Maintenance projects	<u>18,105</u>	<u>12.4</u>	<u>17,133</u>	<u>12.6</u>	<u>3,883</u>	<u>15.4</u>	<u>6,020</u>	<u>13.9</u>
	<u>145,505</u>	<u>100.0</u>	<u>135,493</u>	<u>100.0</u>	<u>25,223</u>	<u>100.0</u>	<u>43,397</u>	<u>100.0</u>

As at the Latest Practicable Date, the Group had 22 building services engineering projects and 28 maintenance projects in progress, with a total estimated outstanding contract sum and work order value of approximately HK\$198.1 million to be recognised after the Latest Practicable Date. Further details of the Group’s projects are set out in the sections headed “Business — Projects undertaken during the Track Record Period” and “Business — Projects in progress” in this document.

SUMMARY

LICENSES AND PERMITS

Lap Kei and Wealth E & M are the principal operating subsidiaries of the Company. As at the Latest Practicable Date, Lap Kei and Wealth E & M have the following registrations and licenses that are material to the business operations of the Group in Hong Kong:

Registration/licenses	Governing authority	Registrant/holder	Date of first registration/grant	Expiry date of current licenses/registration
Registered Electrical Contractor	EMSD	Lap Kei	23 February 1998	22 February 2016
		Wealth E & M	22 May 2009	21 May 2018
Registered Specialist Contractor (Ventilation Works)	Building Authority	Lap Kei	6 June 2002	22 July 2017
Registered Fire Service Installation Contractor — Classes 1 & 2	Fire Services Department	Lap Kei	28 August 2001	— (Note 1)
Approved Suppliers of Materials & Specialist Contractors for Public Works — Group I — Air-conditioning installation	Works Branch, Development Bureau	Lap Kei	15 August 2006	— (Notes 1 & 2)
Registered Minor Works Contractor (Classes I, II and III) (Note 3)	Buildings Department	Lap Kei	11 April 2012	11 April 2018

Notes:

- (1) The relevant registration/qualification is not subject to any periodic renewal.
- (2) Lap Kei is subject to certain criteria for retention of the qualification. Please refer to the section headed “Regulatory overview” in this document for the retention requirement.
- (3) Save for Type A (Alteration and addition works) minor works which Lap Kei is registered under Classes II and III only, Lap Kei is registered under Classes I, II and III for carrying out all other types of minor works, including Type B (Repair works) minor works, Type C (Works relating to Signboards) minor works, Type D (Drainage works) minor works, Type E (Works relating to structures for amenities) minor works, Type F (Finishes works) minor works and Type G (Demolition works) minor works.

SUMMARY

CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Group is mainly invited by its customer (either the main contractor, property developers or occasionally the landlord itself, or its consultant) to submit a tender, or is sometimes invited to provide a quotation, for a potential project. The Group’s top five customers accounted for approximately 51.0%, 47.1% and 75.0% of the total revenue for the year ended 31 December 2013, 31 December 2014 and the three-month period ended 31 March 2015 respectively. The top five customers are not obligated in any way to continue to provide the Group with new businesses in the future at a level similar to that in the past or at all. Despite the concentration of customers, the Directors consider that the Group is not reliant on any single customer for reasons set out in the sections “Business — Customers — Customers concentration” in this document.

Besides, the Group’s top five suppliers accounted for approximately 64.9%, 50.7% and 52.3% of the total purchases for the year ended 31 December 2013, 31 December 2014 and the three-month period ended 31 March 2015 respectively. The Group’s top five subcontractors accounted for approximately 49.6%, 53.8% and 52.4% of the total subcontracting charges for the year ended 31 December 2013, 31 December 2014 and the three-month period ended 31 March 2015 respectively.

COMPETITIVE LANDSCAPE

There is a large number of building service engineering providers in Hong Kong and the competition in the market is intense. The Directors consider that there are entry barriers of the building service industry in Hong Kong which hinder new players from entering into the industry. Such entry barriers include (i) attainment of required registrations under different authorities for different types of works; (ii) credible track record built over years of high quality of projects; and (iii) attracting experienced and qualified technical personnel. Potential competitors will also have to face challenges such as increasing labour costs, subcontracting charges, material costs which can be affected by economic factors such as macro-economic trend, property market, interest rate and inflation rate. All of the above factors create entry barriers for the Group’s potential competitors. Based on the gross value of construction works in nominal terms performed by the main contractors and the subcontractors of special trades of approximately HK\$100 billion in 2014 issued by C&SD and the Group’s revenue of approximately HK\$135.5 million for the year ended 31 December 2014, the Group’s revenue represented approximately 0.14% to the gross value of construction works in nominal terms performed by the main contractors and the subcontractors of special trades in 2014. To the best knowledge of the Directors, due to the lack of official and public statistics and information on each of the industry players in Hong Kong, it is difficult to accurately estimate the exact market position of the Group in Hong Kong. For further details, please refer to the sections headed “Industry overview — Competitive landscape and entry barriers” and “Industry overview — Future opportunities and challenges” in this document.

COMPETITIVE STRENGTHS

The Directors believe that the success of the Group is attributable to, among other things, the following competitive strengths: (i) established track record; (ii) long-term rapport with some of the Group’s major suppliers and subcontractors; (iii) integrated one-stop engineering services for building services system; and (iv) expertise and experienced engineering team to deliver the required services. Please refer to the section headed “Business — Competitive strengths” in this document for further details.

SUMMARY

FINANCIAL INFORMATION

The table below sets forth selected information and analysis from the combined statements of comprehensive income of the Group:

	Year ended 31 December		Three-month period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Revenue	145,505	135,493	25,223	43,397
Gross profit	27,292	36,583	5,080	12,520
Profit before taxation	20,484	29,040	3,087	9,709
Profit and total comprehensive income for the year/period	16,863	24,253	2,579	8,109

The Group’s profit increase for the year ended 31 December 2014 comparing to the year ended 31 December 2013 was mainly attributable to the increase in gross profit as a result of the combined effect of an increase in gross profit margin for building services engineering projects which was partly offset by a decrease in gross profit margin for maintenance projects. The Group’s profit increase for the three-month period ended 31 March 2015 comparing to the three-month period ended 31 March 2014 was mainly attributable to the increase in revenue which resulted from the revenue contribution from Customer G of approximately HK\$12.9 million for the three-month period ended 31 March 2015 (for the three-month period ended 31 March 2014: nil) which project commenced in the second quarter of 2014 and continued through the first quarter of 2015. The project of Customer G had a higher gross profit margin of over 55% for the three-month period ended 31 March 2015 as compared with the Group’s overall gross profit margin of approximately 20.1% for the three-month period ended 31 March 2014. Please refer to the section headed “Financial information” in this document for a further discussion and analysis of the Group’s financial information.

The table below sets forth selected information from the combined statements of financial position of the Group:

	As at 31 December		As at 31 March
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	66,862	111,511	97,788
Current liabilities	34,557	61,346	61,371
Non-current assets	5,868	7,161	7,016
Non-current liabilities	—	—	—
Total equity	38,173	57,326	43,433

SUMMARY

The equity of the Group increased from approximately HK\$38.2 million as at 31 December 2013 to approximately HK\$57.3 million as at 31 December 2014 which was primarily resulted from the profit for the year of approximately HK\$24.3 million for the year ended 31 December 2014 and partly offset by the interim dividend of HK\$5.1 million during the year. The decrease in equity of the Group from approximately HK\$57.3 million as at 31 December 2014 to approximately HK\$43.4 million as at 31 March 2015 which was mainly attributable to the interim dividend of approximately HK\$22.0 million during the period and partly offset by the profit for the period of approximately HK\$8.1 million for the three-month period ended 31 March 2015.

The table below sets forth selected information from the combined statements of cash flows of the Group:

	Year ended 31 December		Three-month period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
Net cash from (used in) operating activities	15,564	41,991	5,077	(8,868)
Net cash (used in) from investing activities	(2,461)	(15,158)	3	11
Net cash used in financing activities	(4,588)	(2,316)	(579)	(835)
Net increase (decrease) in cash and cash equivalents	8,515	24,517	4,501	(9,692)
Cash and cash equivalents at beginning of year/period	1,033	9,548	9,548	34,065
Cash and cash equivalents at end of year/period	9,548	34,065	14,049	24,373

The cash and cash equivalents increased from approximately HK\$9.5 million as at 31 December 2013 to approximately HK\$34.1 million as at 31 December 2014 were mainly attributable to the profit for the year of approximately HK\$24.3 million and increase in trade and other payables of approximately HK\$26.1 million in the year ended 31 December 2014. The cash and cash equivalents decreased from approximately HK\$34.1 million as at 31 December 2014 to approximately HK\$24.4 million as at 31 March 2015 were mainly attributable to the increase in amounts due from customers for contract work of approximately HK\$6.9 million and decrease in trade and other payables of approximately HK\$13.2 million in the three-month period ended 31 March 2015.

SUMMARY

Key financial ratios

	For the year ended/ As at 31 December		For the three- month period ended/ As at 31 March 2015
	2013	2014	
Return on total assets	23.2%	20.4%	7.7%
Return on equity	44.2%	42.3%	18.7%
Current ratio	1.93 times	1.82 times	1.59 times
Gearing ratio	25.4%	14.2%	15.6%

Save as the gearing ratio, the current ratio, return on total assets and return on equity maintained stable from 31 December 2013 to 31 December 2014. The decrease in gearing ratio as at 31 December 2014 was mainly attributable to the increase in equity due to the profit for the year ended 31 December 2014 and the repayment of bank borrowing of approximately HK\$2.1 million during the year.

Please refer to the section headed “Financial information — Key financial ratios” in this document for further details of the Group’s financials.

SHAREHOLDING OF THE COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the Company will be owned as to (i) [REDACTED]% by Golden Luck, which is an investment holding company incorporated in BVI and owned as to 99% by Mr. Wong and 1% by Ms. So; and (ii) [REDACTED]% by public Shareholders.

Mr. Wong and Ms. So are spouses. They are the executive Directors and Controlling Shareholders. For details of the background of Mr. Wong and Ms. So, please refer to the section headed “Directors and senior management — Executive Directors” in this document.

RISK FACTORS

Each of the Controlling Shareholders, the Directors, the substantial shareholders and their respective close associates does not have any interest in a business apart from the Group’s business which competes or may compete, directly or indirectly, with the Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

There are certain risks involved in the Group’s operations, many of which are beyond the Group’s control. The relatively material risks encompass (i) the Group’s past revenue and profit margin may not be indicative of the Group’s future revenue and profit margin; (ii) the Group is dependent on its senior management and in-house engineers, inability to retain its staff may adversely affect the Group’s

SUMMARY

business operations; (iii) loss of authorised signatory and technical director for the Group’s registrations maintained with the Building Authority and Buildings Department; (iv) failure to accurately estimate and control the costs of the Group’s projects may adversely affect the Group’s financial performance; and (v) the Group may not be able to maintain or increase its success rate of attaining engagement of projects tendered and quoted. The Group’s operation and further growth may be limited by unavailability of financing at reasonable terms or at all. A detailed discussion of the risk factors that the Directors believe are particularly relevant to the Group is set out in the section headed “Risk factors” in this document.

BUSINESS STRATEGY

The Group intends to pursue the following key business strategies: (i) further development of the Group’s building services engineering business; (ii) further expansion of service scope; and (iii) further strengthening the Group’s engineering department. Further details of the Group’s business strategies are set out in the section “Business — Business Strategies” in this document.

LISTING EXPENSES

The Group expects that the total Listing expenses, which is non-recurring in nature, will amount to approximately HK\$[REDACTED] million (based on the [REDACTED] Price of HK\$[REDACTED] per Share, being the mid-point of the stated range of the [REDACTED] Price and assuming the [REDACTED] is not exercised). The Group expects to recognize approximately HK\$[REDACTED] million in the combined statement of comprehensive income for the year ended 31 December 2015 and to deduct the remaining of approximately HK\$[REDACTED] million from the Group’s capital. Accordingly, the financial results of the Group for the year ending 31 December 2015 are expected to be affected by the estimated expenses in relation to the [REDACTED]. Such Listing expenses is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 December 2015 and the amount to be deducted from the Group’s capital is subject to change.

CONNECTED TRANSACTIONS

The Group will continue to have certain transactions, namely (i) subcontracting arrangement with Kin Kwan; and (ii) the lease of the premises for the Group’s general office and operational use from Mr. Wong, Ms. So and LKW Co., which are conducted in its ordinary and usual course of business and constitute continuing connected transactions of the Company pursuant to the GEM Listing Rules. Further details of the continuing connected transactions are set out in the section headed “Connected transactions” to this document.

SUMMARY

REASONS FOR THE [REDACTED] AND USE OF PROCEEDS

The Directors believe that the [REDACTED] of the Shares on GEM will enhance the Group’s profile and the net proceeds from the [REDACTED] will strengthen the financial position and will enable the Group to implement the Group’s business plans set out in the section headed “Statement of business objectives and use of proceeds” in this document. Furthermore, a public listing status on the Stock Exchange will offer the Group access to capital market for corporate finance exercise, assist the Group with further business development and strengthen the Group’s competitiveness.

	From the Latest Practicable Date to		For the six months ending			Total
	31 December 2015 <i>HK\$’m</i>	30 June 2016 <i>HK\$’m</i>	31 December 2016 <i>HK\$’m</i>	30 June 2017 <i>HK\$’m</i>	31 December 2017 <i>HK\$’m</i>	
Further development of the Group’s building services engineering business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further expansion of service scope	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening the Group’s engineering department	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The Directors consider that the net proceeds from the [REDACTED] and the Group’s internal resources will be sufficient to finance the Group’s business plans up to the year ending 31 December 2017.

In the event that the [REDACTED] Price is set at the high-end and the low-end of the proposed [REDACTED] Price range, the Group will receive net proceeds of approximately HK\$[REDACTED] million and HK\$[REDACTED] million, after deducting related expenses, respectively. If the [REDACTED] Price is set at the high-end or low-end of the proposed [REDACTED] Price, the Directors intend to adjust the allocation of the net proceeds to the usage in the proportions stated above.

If the [REDACTED] is exercised, the net proceeds from the [REDACTED] will increase to approximately HK\$[REDACTED] million assuming that the [REDACTED] Price is determined at the mid-point of the indicative range of the [REDACTED] Price. The Directors intend to adjust the allocation of the net proceeds to the usage in the proportions stated above.

To the extent that the net proceeds from the [REDACTED] are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

SUMMARY

DIVIDENDS

During the year ended 31 December 2014, an interim dividend of HK\$5.1 million was recognised as distribution by Lap Kei to its then shareholders. During the three-month period ended 31 March 2015, an interim dividend of approximately HK\$22.0 million was recognised as distribution by Lap Kei to its then shareholders, in which HK\$10.0 million were settled through the current account with a Director. No dividend was paid or proposed during the year ended 31 December 2013. The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the factors stated in the section headed “Financial information — Dividend policy” in this document.

RECENT DEVELOPMENT SUBSEQUENT TO 31 MARCH 2015

As at 31 March 2015, the Group had 19 building services engineering projects (excluding variation orders) and 32 maintenance projects in progress. Subsequent to the Track Record Period and up to the Latest Practicable Date, three new building services engineering projects and four new maintenance projects were commenced or to be commenced, and 8 projects were completed during the period from 1 April 2015 to Latest Practicable Date, resulting in 22 building services engineering projects and 28 maintenance projects in progress. The Directors estimate that the total revenue to be recognised after the Latest Practicable Date from such projects altogether (i.e. those with contract sum confirmed as at 31 March 2015 and those that were commenced or to be commenced subsequent to the Track Record Period and up to the Latest Practicable Date) would be approximately HK\$[REDACTED] million.

Save as the Listing expenses, the Group did not have any significant non-current items in its combined statements of profit or loss and other comprehensive income subsequent to the Track Record Period.

The net current assets of the Group as at 30 April 2015 were approximately HK\$35.8 million. The outstanding balance of all amounts due from a director and due to a related party will be settled before the [REDACTED]. As at 30 April 2015, approximately 15.7% of the outstanding trade receivables as at 31 March 2015 has been subsequently settled and approximately 48.4% of the outstanding payables as at 31 March 2015 has been subsequently settled.

NO MATERIAL ADVERSE CHANGE

Save the Listing expenses, the Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2015 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 March 2015 which would materially affect the information shown in the accountants’ report set out in Appendix I to this document.

SUMMARY

[REDACTED] STATISTICS

	Based on the [REDACTED] Price of HK\$[REDACTED] per Share	Based on the [REDACTED] Price of HK\$[REDACTED] per Share
Market capitalisation of the Shares (<i>note 1</i>)	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted combined net tangible assets of the Group per Share (<i>note 2</i>)	[REDACTED]	[REDACTED]

Notes:

1. The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] without taking into account the Shares that may be allotted or issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed “(A) Unaudited pro forma statement of adjusted combined net tangible assets of the Group” in Appendix II to this document and on the basis of [REDACTED] Shares in issue at the respective [REDACTED] Prices of between HK\$[REDACTED] and HK\$[REDACTED] per Share immediately following completion of the [REDACTED] and the [REDACTED] without taking into account the Shares that may be allotted or issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Articles” or “Articles of Association”	the articles of association of the Company adopted on [REDACTED] and as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Baker Tilly”	Baker Tilly Hong Kong Risk Assurance Limited, the independent internal control adviser of the Company
“Board”	the board of Directors
“Bookrunner”	[●]
“Building (Minor Works) Regulation”	the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong)
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“[REDACTED]”	the issue of [REDACTED] Shares upon capitalisation of part of the share premium account of the Company referred to in the paragraph headed “5. Written resolutions of the sole Shareholder passed on [REDACTED]” under the section headed “A. Further information about the Company” in Appendix IV to this document
“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

DEFINITIONS

“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified 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, supplemented or otherwise modified from time to time
“Company”	Lap Kei Engineering (Holdings) Limited (立基工程(控股)有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 29 April 2015
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and in the context of this document, refers to Mr. Wong, Ms. So and Golden Luck
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated [REDACTED] provided by the Indemnifiers in favour of the Group relating to, among other matters, the tax liabilities of the Group, particulars of which are set out in the paragraph headed “1. Tax and other indemnities” under the section headed “E. Other information” in Appendix IV to this document
“Deed of Non-competition”	the deed of non-competition dated [REDACTED] given by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with the Controlling Shareholders” in this document
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

DEFINITIONS

“Golden Luck”	Golden Luck Limited, a company incorporated under the laws of BVI with limited liability on 24 April 2015, which is owned as to 99% by Mr. Wong and 1% by Ms. So, respectively, and is one of the Controlling Shareholders
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, its present subsidiaries or entities which carried on the business currently operated by such subsidiaries at the relevant time or (as the case may be) their predecessors
“HK\$” and “cents”	the Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Indemnifiers”	Golden Luck, Mr. Wong and Ms. So
“Independent Third Party(ies)”	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected with (within the meaning of the GEM Listing Rules) the Company or its connected person as defined under the GEM Listing Rules
“Kin Kwan”	Kin Kwan Decoration, Co, a sole proprietorship owned by Mr. Wong Kang Hong, the brother of Mr. Wong, the Controlling Shareholder and an executive Director
“Lap Kei”	Lap Kei Engineering Company Limited (立基冷氣工程有限公司), a company incorporated in Hong Kong with limited liability on 22 December 1997 and an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	[29 May] 2015, being the latest practicable date prior to the printing of this document for ascertaining certain information referred to in this document

DEFINITIONS

“Lead Manager”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Listing Division”	the Listing Division of the Stock Exchange
“LKW Co.”	LKW Company Limited, a company incorporated in Hong Kong with limited liability on 19 May 2015 and a direct wholly-owned subsidiary of Golden Luck
“LKW Enterprise”	LKW Enterprise Limited, a company incorporated under the laws of BVI with limited liability on 19 March 2015, the entire issued share capital of which is owned by the Company and is a direct wholly-owned subsidiary of the Company
“Memorandum of Association” or “Memorandum”	the memorandum of association of the Company adopted on [REDACTED] and as amended from time to time, a summary of which is set out in Appendix III to this document
“Messis Capital” or “Sponsor”	Messis Capital Limited, the sponsor of the Company for the [REDACTED], a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Mr. Wong”	Mr. Wong Kang Kwong (黃鏡光), an executive Director, one of the Controlling Shareholders and the spouse of Ms. So
“Ms. So”	Ms. So Nui Ho (蘇女好), an executive Director, one of the Controlling Shareholders and the spouse of Mr. Wong
“[REDACTED]”	the option granted by the Company to the Bookrunner (for itself and on behalf of the Underwriter[s]) under the Underwriting Agreement pursuant to which the Bookrunner may require the Company to allot and issue up to an aggregate of [REDACTED] additional [REDACTED] Shares, representing [REDACTED]% of the initial number of [REDACTED] Shares under the [REDACTED] to cover any over allocation in the [REDACTED]
“[REDACTED]”	the conditional [REDACTED] of the [REDACTED] Shares by the Underwriters on behalf of the Company for cash at the [REDACTED] Price subject to the terms and conditions as described in the section headed “Structure and conditions of the [REDACTED]” in this document

DEFINITIONS

“[REDACTED] Price”	the final price per [REDACTED] Share in Hong Kong dollars (exclusive of the brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
“[REDACTED]”	[REDACTED] new Shares (subject to the [REDACTED]) being offered at the [REDACTED] Price for subscription under the [REDACTED] subject to the terms and conditions as described in the section headed “Structure and conditions of the [REDACTED]” in this document
“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
“[REDACTED]”	the agreement to be entered into between the Bookrunner (for itself and on behalf of the Underwriter[s]) and the Company on or before the [REDACTED] to record and fix the [REDACTED] Price
“[REDACTED]”	the date, expected to be on or before [REDACTED] or such later date as may be agreed between the Bookrunner (for itself and on behalf of the Underwriter[s]) and the Company, on which the [REDACTED] Price is to be fixed
“Reorganisation”	the reorganisation of the Group for the purpose of the [REDACTED], particulars of which are set out in the section headed “History, reorganisation and corporate structure” in this document
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on [REDACTED], the principal terms of which are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this document
“Share Registrar”	[REDACTED]

DEFINITIONS

“significant shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and the details of which are set out in the section headed “Substantial and significant shareholders” in this document
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and the details of which are set out in the section headed “Substantial and significant shareholders” in this document
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as approved by the SFC and as amended, modified and supplemented from time to time
“Track Record Period”	the two years ended 31 December 2014 and the three-month period ended 31 March 2015
“Underwriters”	the underwriters of the [REDACTED] whose names are set out in the paragraph headed “Underwriters” under the section headed “Underwriting” in this document
“Underwriting Agreement”	the conditional underwriting agreement dated [REDACTED] made among [the Company, the executive Directors, the Controlling Shareholders, the Sponsor, the Bookrunner, the Lead Manager and the Underwriters] relating to the [REDACTED], brief particulars of which are summarised in the section headed “Underwriting” in this document
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States of America
“Wealth E & M”	Wealth E & M Limited (和富機電有限公司), a company incorporated in Hong Kong with limited liability on 30 April 2004 and an indirect wholly-owned subsidiary of the Company
“kg”	kilogrammes
“m ² ” or “sq.m.”	square metre
“sq.ft.”	square feet
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this document in connection with the Group and the Group's business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

"Approved List"	the List of Approved Suppliers of Materials and Contractors for Public Works maintained and administered by the Works Branch of the Development Bureau
"Building Authority"	the Building Authority of the Government
"Buildings Department"	the Buildings Department of the Government
"Development Bureau"	the Development Bureau of the Government
"EMSD"	the Electrical and Mechanical Services Department of the Government
"Fire Services Department"	the Fire Services Department of the Government
"ISO"	International Organisation for Standardisation, a worldwide federation of national standards bodies
"List"	the List of Approved Contractors for Public Works maintained and administered by the Works Branch of the Development Bureau
"MVAC"	mechanical ventilation and air-conditioning
"SGS"	SGS Hong Kong Limited, the Hong Kong branch of SGS, an international inspection, verification, testing and certification company
"Works Branch"	the Works Branch of the Development Bureau

FORWARD-LOOKING STATEMENTS

The Company has included in this document forward-looking statements that are not historical facts, but relate to the Group’s intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections entitled “Summary”, “Risk factors”, “Industry overview”, “Business”, and “Financial information”, which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- the Group’s business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of the Group’s business;
- the Group’s operation and business prospects;
- the Group’s dividend policy;
- the regulatory environment of the Group’s industry in general;
- the future development and trends in the Group’s industry; and
- risks identified under the section headed “Risk factors” in this document.

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

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the Group’s control. In addition, these forward-looking statements reflect the Group’s current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed “Risk factors” in this document.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. The Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the Group’s control. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to these cautionary statements.

RISK FACTORS

Potential investors should consider carefully all the information set out in this document and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in the Company before making any investment decision in the Shares. The Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. 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

The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin

For the year ended 31 December 2013 and 31 December 2014 and the three-month period ended 31 March 2015, the Group's revenue amounted to approximately HK\$145.5 million, HK\$135.5 million and HK\$43.4 million respectively; the Group's gross profit amounted to approximately HK\$27.3 million, HK\$36.6 million and HK\$12.5 million respectively (representing gross profit margin of approximately 18.8%, 27.0% and 28.8% respectively); while the Group's net profit amounted to approximately HK\$16.9 million, HK\$24.3 million and HK\$8.1 million respectively (representing net profit margin of approximately 11.6%, 17.9% and 18.7% respectively).

However, such trend of past financial information of the Group is a mere analysis of the Group's past performance only. It does not have any positive implication on and may not necessarily reflect the financial performance of the Group in the future. The Group's future performance will depend on, among other things, its ability to secure new businesses and to control its costs and will be subject to other risk factors as set out in this section. Profit margins for building services engineering projects and maintenance projects may vary from project to project due to factors such as the accuracy of the Group's estimation on the costs when committing to the amount of its fees and the complexity of the project. There is no guarantee that the Group's profit margins in the future will remain as its historical profit margins.

The Group is dependent on its senior management and in-house engineers, inability to retain its staff may adversely affect the Group's business operations

The Directors believe that the Group's success, to a large extent, is attributable to, among other things, the contribution of each of the executive Directors, senior management and other in-house engineers. The Group relies on its executive Directors, senior management and in-house engineers to execute both of its engineering and maintenance projects. The Group's ability to provide engineering services for its customers is mainly attributable to their professional knowledge, experience and expertise.

There could be an adverse impact on the Group's business operations should any of these key personnel terminates his/her service agreement or employment contract with the Group or otherwise cease to serve the Group and appropriate persons could not be found to replace them. There is no guarantee that the Group will be able to attract and retain its current staff or that they will not resign in the future. If the Group is unable to retain its staff in the future, the Group's business operations and financial performance may be diversely affected.

RISK FACTORS

Loss of authorised signatory and technical director for the Group’s registrations maintained with the Building Authority and Buildings Department could materially and adversely affect our business

The Group maintained several registrations with the Building Authority and the Buildings Department, which require the Group has at least one authorized signatory to act for it for the purpose of the Buildings Ordinance and one technical director to carry out certain duties. The Building Authority imposes certain requirements on the qualifications and experience of such authorised signatory and technical director. For further details, please refer to the sections “Regulatory overview — Contractor licensing and registration regime” and “Business — Licenses and permits” in this document.

In the event that the Group cannot retain its authorised signatory or technical director, the Group is required to identify and apply for replacement. If the Group fails to identify and apply for replacement of an alternative qualified authorized signatory or technical director in a timely manner, it may face a suspension of such registrations and hence will adversely and materially affect the Group’s business operations and financial performance.

Failure to accurately estimate and control the costs of the Group’s projects may adversely affect the Group’s financial performance

Majority of the Group’s contracts signed during the Track Record Period are fixed-price contracts while some of them provide pricing adjustments. In general, the Group will perform an estimation of the costs of each project before submitting the relevant tender document to its customers. The final price of a contract is determined with reference to the Group’s bids and substantially agreed by the Group and its customer at the time a contract is awarded. Therefore, it is crucial to accurately estimate and control the costs of each project. However, there are several factors that may adversely affect the actual amount of costs incurred while completing a project, such as the changes in the price of equipment, materials and labour, unforeseen site conditions and accidents. In the event that the Group fails to estimate the costs of its projects accurately, the Group may achieve lower-than-expected profit or even incur losses on that project which in turn could adversely affect the Group’s financial performance.

The Group may not be able to maintain or increase its success rate of attaining engagement of projects tendered and quoted

For the year ended 31 December 2013 and 31 December 2014 and the three-month period ended 31 March 2015, the Group’s success rate of attaining engagement of projects tendered and quoted were approximately 8.9%, 6.9% and 5.7% respectively.

The success rate of attaining engagement of projects tendered and quote is dependent on a few factors, such as the number of invitation of tendering quotation in each year and the tender quotation offers submitted by the Group’s competitors in each project. 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. As a result, it may have material and adverse impact on the Group’s revenue and business operations.

RISK FACTORS

The Group's revenue is derived substantially from building services engineering projects, which are non-recurrent in nature, and the Group may achieve lower-than-expected revenue if it fails to maintain continuity of the Group's order book for its new projects

The Group's revenue is substantially derived from building services engineering projects, which are non-recurrent in nature. For the year ended 31 December 2013 and 31 December 2014 and the three-month period ended 31 March 2015, the Group's building services engineering projects accounted for approximately 87.6%, 87.4% and 86.1% respectively.

Typically, the Group's customers engage the Group on a project-by-project basis and the customers are under no obligation to award projects to the Group. As such, there is no guarantee that the Group will be able to secure new businesses from its existing customers. As a result, the number and scale of building services engineering projects and the amount of revenue driven from building services engineering projects may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

Any delays in the Group's projects may affect the Group's cash flows and may have adverse impact on the Group's business and reputation

The Group is normally required to complete each of its projects according to the schedule as stated in the relevant contracts. Yet, there are several factors that may lead to a delay in the work progress of each project, such as weather conditions, supply of equipment and direct labour, regulatory approval processes, government requirements, political unrest, wars and terrorist attacks, and other factors that are beyond the Group's control.

Since the Group's revenue is recognised according to the percentage of completion method, in the event that the Group fails to complete its projects on a timely basis, it may postpone the receipt of anticipated payments which would affect the Group's cash flows and financial performance. If such delay is caused by the Group, it may be liable to compensate its customers and contracting parties for any losses or damages caused by the delay. However, any delay in the completion of a project, no matter caused by the Group or not, may also lead to additional costs being incurred, including costs to hire additional manpower. In addition, any delays in the Group's projects may have negative impact on the Group's reputation, which may adversely affect the Group's future business opportunities.

The Group's top five customers accounted for a substantial portion of the Group's total revenue

The Group's top five customers accounted for approximately 51.0%, 47.1% and 75.0% of the total revenue respectively for each of the Track Record Period. Yet, the top five customers are not obligated in any way to continue to provide the Group with new businesses in the future at a level similar to that in the past or at all. If any of the Group's top customers reduce the amount of their contracts or terminate the business relationship with the Group, the Group may not be able to secure new contracts from other customers to maintain its revenue. As a result, the Group's business operation and financial performance may be materially and adversely affected.

The Group substantially relies on its top suppliers and subcontractors

The Group's top five suppliers accounted for approximately 64.9%, 50.7% and 52.3% of the total purchases from suppliers respectively, while the Group's top five subcontractors accounted for approximately 49.6%, 53.8% and 52.4% of the total subcontracting charges respectively for each of the Track Record Period. In the event that the Group's suppliers and subcontractors reduce the supply amount of or refuse to provide the relevant goods and services to the Group, it may incur additional costs to source for alternative suppliers and subcontractors. Subsequently, the Group's business operation and financial performance may be materially and adversely affected.

RISK FACTORS

Changes on the supply and cost of staff may adversely affect the Group's operations and financial performance

For the year ended 31 December 2013 and 31 December 2014 and the three-month period ended 31 March 2015, the Group's total direct labour amounted to approximately HK\$23.1 million, HK\$23.0 million and HK\$6.1 million respectively. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's direct labour costs on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in direct labour cost	+5%	+10%	-5%	-10%
Change in profit before tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	(1,154)	(2,309)	1,154	2,309
Year ended 31 December 2014	(1,148)	(2,297)	1,148	2,297
Three-month period ended 31 March 2014	(270)	(541)	270	541
Three-month period ended 31 March 2015	(306)	(612)	306	612
Change in profit after tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	(964)	(1,928)	964	1,928
Year ended 31 December 2014	(959)	(1,918)	959	1,918
Three-month period ended 31 March 2014	(225)	(452)	225	452
Three-month period ended 31 March 2015	(256)	(511)	256	511

There are several factors that may affect the supply and cost of staff in Hong Kong, such as 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 supply of labour and average cost of staff will be stable. For instance, the Group may not be able to identify and recruit staff members to replace departed staff in a timely manner or the statutory minimum wage may increase in the future. In such circumstance, the Group's profitability and operations could be adversely affected.

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

During the Track Record Period, most of the Group's projects adopted monthly payment or progress payment method, where the Group is required to submit a payment application with reference to the value of works completed on a monthly basis or when the works completed reach certain stage. The Group's customers will assess and verify the payment application and request the Group to issue an invoice for the amount of work completed. In most of the projects, the Group's customers may withhold normally up to 10% of each interim payment as retention money, which is generally capped at 5% of the

RISK FACTORS

total actual sum. All of the retention money will be released after the defect liability period, which is usually 12 months from practical completion date. As at 31 December 2013, 31 December 2014 and 31 March 2015, retention receivables of approximately HK\$11.5 million, HK\$9.2 million and HK\$10.8 million respectively, were retained by the Group's customers.

There is no guarantee that monthly or progress payment and retention money will be made on time by the Group's customers in the future. In the event that the Group fails to receive its monthly or progress payment and retention money on a timely basis, the Group's cash flows and financial performance could be affected adversely and materially.

Changes on the availability, performance and charges of the Group's subcontractors may adversely affect the Group's operations and financial performance

Depending on the Group's capability, resources level and complexity of the project, the Group may consider subcontracting certain activities in the project to other subcontractors. Subcontracting fees are mainly affected by the changes in wages of the direct labour of the Group's subcontractors. For the year ended 31 December 2013 and 31 December 2014 and the three-month period ended 31 March 2015, the subcontracting fees incurred by the Group amounted to approximately HK\$45.0 million, HK\$49.2 million and HK\$9.9 million respectively. The fluctuations in subcontracting fee may have material impact on the Group's gross profit margin and financial performance. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting charges	+5%	+10%	-5%	-10%
Change in profit before tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	(2,252)	(4,504)	2,252	4,504
Year ended 31 December 2014	(2,458)	(4,917)	2,458	4,917
Three-month period ended 31 March 2014	(313)	(626)	313	626
Three-month period ended 31 March 2015	(496)	(992)	496	992
Change in profit after tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	(1,880)	(3,761)	1,880	3,761
Year ended 31 December 2014	(2,052)	(4,106)	2,052	4,106
Three-month period ended 31 March 2014	(261)	(523)	261	523
Three-month period ended 31 March 2015	(414)	(828)	414	828

The Group is responsible for the works performed by the subcontractors. The requirements and specifications deviate from project to project. Hence, it is important for the Group to locate suitable subcontractors. If the works performed by the subcontractors do not meet the requirements of the project, it may require extra time and costs to carry extra works. As a result, it may have negative impacts on the Group's business operations and financial performance.

RISK FACTORS

Increase of the material cost of the Group may adversely affect the Group’s operations and financial performance

For the year ended 31 December 2013 and 31 December 2014 and the three-month period ended 31 March 2015, the Group’s material costs amounted to approximately HK\$37.9 million, HK\$33.1 million and HK\$12.0 million respectively, representing approximately 32.1%, 33.5% and 38.9% of its total costs of sales respectively. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group’s material costs on the Group’s profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in material costs	+5%	+10%	-5%	-10%
Change in profit before tax	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Year ended 31 December 2013	(1,894)	(3,789)	1,894	3,789
Year ended 31 December 2014	(1,657)	(3,315)	1,657	3,315
Three-month period ended 31 March 2014	(436)	(872)	436	872
Three-month period ended 31 March 2015	(601)	(1,202)	601	1,202
Change in profit after tax	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Year ended 31 December 2013	(1,581)	(3,164)	1,581	3,164
Year ended 31 December 2014	(1,384)	(2,768)	1,384	2,768
Three-month period ended 31 March 2014	(364)	(728)	364	728
Three-month period ended 31 March 2015	(502)	(1,004)	502	1,004

The change in material costs may or may not be able to shift to the Group’s customers. In the event that the increase in material costs is more than the Group’s expectation, the Group’s operation and profitability may be adversely affected.

Failure to renew the Group’s current registrations and licenses may adversely affect the Group’s business operations

As at the Latest Practicable Date, the Group held several types of registrations and licenses that are material to the Group’s business operations in Hong Kong. Lep Kei, the Group’s operating subsidiary carrying out its building engineering business, registered with the EMSD as a Registered Electrical Contractor, with the Building Authority as a Registered Specialist Contractor under the categories of ventilation works, and with the Buildings Department as a Registered Minor Works Contractor (Classes I, II and III). Wealth E & M, the Group’s operating subsidiary carrying out its building engineering business, registered with the EMSD as a Registered Electrical Contractor. For further details of the Group’s existing qualifications, registrations, licenses and permits, please refer to the section “Business — Licenses and Permits” in this document.

RISK FACTORS

Renewal of some of the aforementioned registrations with the relevant departments is required every three years, and is generally subject to certain technical, relevant industry experience and/or documentary requirements.

There is no assurance that the Group will be able to renew such registrations every time in the future. In the event of non-renewal of such registrations or if the Group fails to remain on the approved list, the Group's reputation and ability to obtain future businesses could be materially and adversely affected.

Any claims or litigation to which the Group may have a material and adverse impact on the Group's business, operation and financial performance

Because of the nature of the Group's business, the Group may become involved in claims for personal injury and property damage arising in connection with the Group's projects. In addition, the Group may also become involved in litigations relating to, among other things, such as contractual disputes warranty, indemnification or liability claims, contractual disputes with its customers or sub-contractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. Any claims or litigation can be time-consuming, expensive, and may divert management's attention away from the operations of business.

In the event that the Group is liable to pay compensation or fine in relation to any claims or legal proceedings, it may have a material and adverse impact on the Group's business and financial performance.

The Group's business performance depends on the availability of building services projects in Hong Kong

The Group's business performance depends on the number and availability of building services projects in Hong Kong. The performance of the building services 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. There is no assurance that the number of building services projects in Hong Kong will not decrease in the future. For instance, an economic downturn in Hong Kong where the Group operates may hold up the construction plans, as a result of which the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group's business plans and strategies may not be successful or be achieved within the expected time frame or within the estimated budget

The Group's business plans and strategies include further development of the Group's building services engineering business, further expansion of service scope and further strengthening the Group's engineering department. Yet, the Group's business strategies may be hindered by risk factors including but not limited to those mentioned elsewhere in this section. There is no assurance that the Group will be able to maintain or expand its building services building and increase its services scope successfully within the expected time frame or within the estimated budget. In the event that the Group fails to maintain its current market position or implement its business plans could materially and adversely affect the Group's business operations, financial performance and results of operations.

RISK FACTORS

The Group’s financial performance will be affected by the Group’s Listing expenses, which are non-recurrent in the nature

Whether or not the [REDACTED] eventually occurs, a major portion of the expenses in relation to the [REDACTED] have been incurred and recognized. Such Listing expenses, which are non-recurrent in the nature, may adversely affect the financial performance of the Group for the year ending 31 December 2015. The Directors estimate that the total amount of the Group’s expenses in relation to the [REDACTED] is approximately HK\$[REDACTED] million, based on the [REDACTED] Price of HK\$[REDACTED] per Share, being the mid-point of the stated range of the [REDACTED] Price and assuming the [REDACTED] is not exercised.

Of the aggregate Listing expenses of approximately HK\$[REDACTED] million, approximately HK\$[REDACTED] million will be charged on the Group’s consolidated statement of comprehensive income and to deduct the remaining of approximately HK\$[REDACTED] million from the Group’s capital. In the event that the [REDACTED] are to be postponed due to market condition, additional expenses in relation to the future listing plan may incur. As a result, the Group’s business operations and financial performance would be materially and adversely affected.

The Group is exposed to environmental liability

The Group’s business operations are subject to the standards imposed by environmental laws and regulations in Hong Kong in respect of air pollution, noise control, water pollution and waste disposal. In the event that the Group fails to comply with these environmental laws and regulations, it may cause delays in the progress of the Group’s project and lead to a negative impact on the Group’s public image and reputation, either of which could adversely affect the Group’s business operation and financial performance. In addition, any violation of the relevant laws and regulations may lead to substantial fines, clean-up costs and environmental liabilities or even suspension of operations that could materially and adversely affect the operating results and prospects of the Group.

For further information and a more detailed discussion of these laws, regulations and standards, please refer to the section “Regulatory overview” in this document.

The Group is exposed to certain types of liabilities that are generally not insured

The Group is exposed to certain types of liabilities, such as liabilities arising from natural disasters, political unrest, wars and terrorists, which are beyond the Group’s control and generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, the Group may achieve lower-than-expected profit or even suffer losses, which may adversely affect the Group’s financial performance.

The Group may incur extra cost in workers training and recruitment of workers following the implementation of construction workers registration scheme in 2017

The Government has been working with the Construction Industry Council (“CIC”) and members of the sector to promote the healthy development of the construction industry. Following amendment of the Construction Workers Registration Ordinance in 2014, the requirements of “designated workers for designated trades” will be implemented under the construction workers registration scheme in 2017. Skilled construction workers will then be required to register according to their respective skills. It is expected that the Group may incur extra resources in workers training to satisfy the registration scheme

RISK FACTORS

promulgated by the Government. Cost of workers may also increase following the implementation of relevant qualification framework. Fail to recruit workers with suitable qualification and registration at reasonable cost or at all will have material and adverse effect to the operation of the Group.

The Group may have difficulty in recruiting competent workers at reasonable cost due to shortage and ageing of skilled workers in local market

The construction industry is facing the problem of a severe shortage and ageing of skilled workers. Although the Government and CIC have made considerable efforts in recent years to train local skilled workers and enhance the industry's professional image, and have attracted many new entrants to the industry, the keen demand has yet to be met. If local market cannot supply enough skilled workers to the industry and import workers are not available in a timely manner and at reasonable cost, the Group may face difficulty in recruiting competent workers at reasonable cost to complete a project within designated time. This will materially and adversely affect the operation of the Group.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

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

The building services industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. The average wage of construction workers in Hong Kong keeps increasing. This is mainly due to the growing building services 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 building services industry. In addition, the costs of construction materials have also demonstrated a general increasing trend over the past few years. The general increases in construction material prices are affected by, among other factors, the strong construction demand. In view of the potential increase in the cost of construction workers and construction materials, the Group could materially and adversely affect the Group's business operations and financial conditions.

The Group's reliance of its subcontractors to supply labour for the labour intensive work for its projects

Although the Group retains its own labour for its engineering design works and project supervisions, it subcontracts part of the labour intensive works of its projects to subcontractors. In the event that the Group fails to obtain a stable supply of labour from its subcontractors to carry out its projects, the Group may not be able to complete its projects on schedule and within budget nor maintain its quality of work at the standard level. Subsequently, the Group's operations and profitability may be adversely affected.

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

In the course of operations, the Group requires its employees to comply with and implement all the safety measures and procedures as stipulated in its in-house rules. Nevertheless, there is no assurance that the Group's safety measures or other related rules and regulations by the employees of the Group or the subcontractors are strictly followed. Any violation may lead to higher probability of occurrences,

RISK FACTORS

and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect business operations as well as financial position to the extent not covered by insurance policies.

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

Due to the nature of the Group's business, the operations at work 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 water pollutions, and waste disposal. Such regulations may be revised by the Government 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 building services industry in Hong Kong has a number of participants and is competitive. Occasionally, new participants could enter into the industry if they have the appropriate skills, local experience, necessary machinery and capital and are granted the requisite licenses 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]

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the [REDACTED], there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in the Group's revenues, earnings and cash flows, strategic alliances or acquisitions made by the Company or the Group's competitors, industrial or environmental accidents suffered by the Group, loss of key personnel, litigation or fluctuation in the market prices for the Group's services, the liquidity of the market for the Shares, the general market sentiment regarding the industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond the Group's control and unrelated to the performance of the Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the [REDACTED] Price.

Investors' shareholding may experience dilution if the Company issues additional Shares in the future

The Company may issue additional Shares upon exercise of the [REDACTED] and the options to be granted under the Share Option Scheme in the future. The increase in the number of Shares 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.

RISK FACTORS

In addition, the Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED] Shares.

Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that the Controlling Shareholders will not dispose 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 its Controlling Shareholders, or that the availability of the Shares for sale by any of the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of its Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS DOCUMENT

Statistics and industry information contained in this document may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed “Industry Overview” and elsewhere in this document relating to the global and Hong Kong building services industry have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. The Directors believe that the sources of the information are appropriate sources for such information, and the Sponsor and the Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, the Group has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither the Group, the Directors, the Sponsor, the Bookrunner, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

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

Included in this document are various forward-looking statements that are based on various assumptions. The 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 document.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

In preparation for the Listing, the Company has sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group entered into and are expected to continue with certain transactions which would constitute non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules, following completion of the [REDACTED]. The Company has applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules in respect of such non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver is set out in the section headed “Connected transactions” in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Wong Kang Kwong (黃鏡光)	House 7, Uptown 600 Castle Peak Road Hung Shui Kiu Yuen Long New Territories Hong Kong	Chinese
Ms. So Nui Ho (蘇女好)	House 7, Uptown 600 Castle Peak Road Hung Shui Kiu Yuen Long New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chung Yuk Ming, Christopher (鍾育明)	Flat B, 22nd Floor, Block 12 Rhythm Garden 242 Choi Hung Road Kowloon Hong Kong	Chinese
Mr. Fok Ka Chi (霍嘉誌)	Flat E, 23rd Floor Block 20, Park Islands Ma Wan Hong Kong	Chinese
Mr. Tam Chun Chung (譚振忠)	Flat F, 24th Floor Begonia Mansion Talkoo Shing Hong Kong	Chinese

For further information on the background of the Directors, please refer to the section headed "Directors and Senior Management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	Messis Capital Limited <i>A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> Room 1606, 16/F., Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
Bookrunner	[REDACTED]
Underwriters	[REDACTED]
Legal advisers to the Company	<i>As to Hong Kong Law</i> ONC Lawyers <i>Solicitors, Hong Kong</i> 19th Floor Three Exchange Square 8 Connaught Place Central, Hong Kong <i>As to Cayman Islands Law</i> Conyers Dill & Pearman <i>Attorneys-at-law, Cayman Islands</i> Cricket Square Hutchins Drive Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sponsor and the Underwriters	<i>As to Hong Kong Law</i> [REDACTED]
Reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 6, 6/F, Block B Tonic Industrial Centre 19 Lam Hing Street Kowloon Bay Hong Kong
Company's website	www.lapkeieng.com <i>(Note: contents contained in this website do not form part of this document)</i>
Company secretary	Mr. Cheng Chin Wing <i>Certified Public Accountant</i> Room 7, 12th Floor, Block B Hamden Court 149-151 Hong Ning Road Kwun Tong, Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Wong Kang Kwong House 7, Uptown 600 Castle Peak Road Hung Shui Kiu Yuen Long New Territories Hong Kong Mr. Cheng Chin Wing <i>Certified Public Accountant</i> Room 7, 12th Floor, Block B Hamden Court 149-151 Hong Ning Road Kwun Tong, Kowloon Hong Kong

CORPORATE INFORMATION

Compliance officer	Ms. So Nui Ho House 7, Uptown 600 Castle Peak Road Hung Shui Kiu Yuen Long New Territories Hong Kong
Audit committee	Mr. Tam Chun Chung (<i>Chairman</i>) Mr. Chung Yuk Ming, Christopher Mr. Fok Ka Chi
Remuneration committee	Mr. Fok Ka Chi (<i>Chairman</i>) Mr. Chung Yuk Ming, Christopher Mr. Tam Chun Chung
Nomination committee	Mr. Chung Yuk Ming, Christopher (<i>Chairman</i>) Mr. Fok Ka Chi Mr. Tam Chun Chung
Principal share registrar and transfer office	[REDACTED]
Branch share registrar and transfer office	[REDACTED]
Principal bankers	Shanghai Commercial Bank Limited Shops G1-2, G/F., Metro City Plaza III The Metropolis 8 Mau Yip Road, Tseung Kwan O New Territories Hong Kong
Compliance adviser	Messis Capital Limited <i>A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> Room 1606, 16/F., Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong

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The information presented in this section has been derived from various official Government and industry sources. The Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Company and the Sponsor have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information has not been independently verified by us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, their respective advisers or affiliates or any other party involved in the [REDACTED] and no representation is given as to its accuracy, and accordingly, the information contained herein should not be unduly relied upon.

SOURCES OF INFORMATION

Certain information provided in this section is derived from various official or publicly available sources including the following:

The Census and Statistics Department of the Government (the "C&SD") provides statistics covering various social and economic aspects of Hong Kong.

The Rating and Valuation Department of the Government provides statistics covering the completion of properties and stock of properties in Hong Kong.

Hong Kong Trade Development Council ("HKTDC") provides research in relation to building and construction industry in Hong Kong.

The EMSD provides the number of electrical contractors registered to carry out electrical work in Hong Kong.

The Fire Services Department provides the number of fire service installation contractors registered to carry out related work in Hong Kong.

The Development Bureau provides the number of specialist contractors registered to carry out air conditioning installation for public work in Hong Kong.

The Buildings Department provides the number of registered specialist contractors (sub-register of Ventilation Works Category) and registered minor works contractors (Company) in Hong Kong.

The information presented in this document from the above sources is freely accessible by the public.

INTRODUCTION

Construction works are divided into two main broad trade groups namely (i) construction works at construction sites; and (ii) construction works at locations other than the sites. Under the construction works at locations other than the sites, there are two trade groups namely general trades and special trades. General trades include decoration, repair and maintenance, and construction works at minor work

INDUSTRY OVERVIEW

locations such as site investigation, demolition, and structural alternation and additional works. Special trades include carpentry, electrical equipment, ventilation, gas and water fitting installation and maintenance etc.

All construction projects in Hong Kong can broadly be divided into public projects and private projects. Public projects include construction of public housing, subsidised housing, public facilities buildings or structures and other civil engineering projects that were initiated, advocated or implemented by the Hong Kong government or public bodies in Hong Kong. Private projects include construction of private residential, commercial or industrial buildings. In Hong Kong most of the public or subsidised housing projects are implemented by Housing Authority and the Hong Kong Housing Society. The market for public projects in Hong Kong is dependent on the number, size and scale of building and construction work advocated or funded by the Hong Kong government or other public bodies. These in turn, are determined by policies and the budget of the Hong Kong government and other public bodies. Private projects are initiated by numerous private property developers. The construction market for private projects is influenced by factors such as economic prospect, land supply and the general demand for properties in Hong Kong.

NUMBER OF CONTRACTORS WITH RELEVANT QUALIFICATIONS AND LICENSES IN HONG KONG

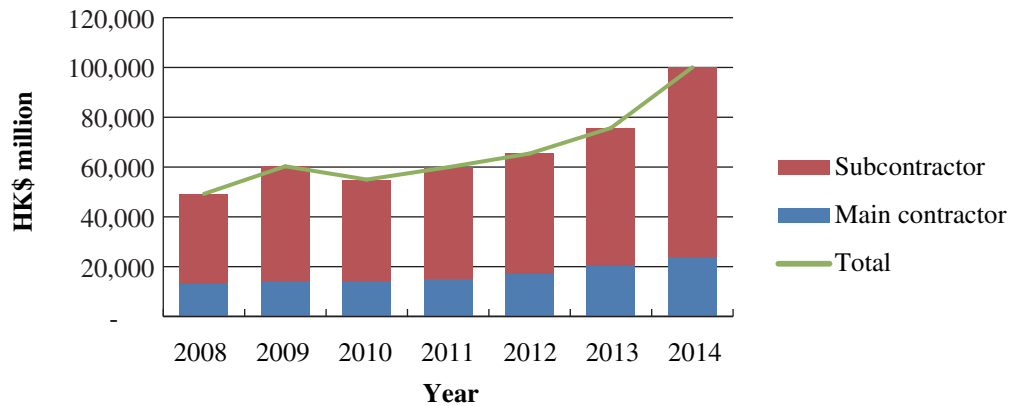
As stated in a research article titled "Buildings and construction industry in Hong Kong" published by HKTDC on 17 June 2014, Hong Kong's construction industry is characterised by a small number of large local contractors, a high level of subcontracting, presence of a large number of overseas contractors, with a substantial proportion of companies being both developers and contractors. Most of Hong Kong's construction companies are small in size and those with less than HK\$10 million (US\$1.3 million) in annual gross value of construction work account for as high as 96% of the construction industry. The majority of the small ones act as subcontractors to the large companies, which tend to be main contractors. There are quite a number of big construction companies capable of handling projects requiring sophisticated technology and strong financial background and are expanding their business across the region. Hong Kong contractors are experienced and highly skilled in building works. Because of the growing size and complexity of the projects, the current industry trend is to award large and complex building contracts as a single package to multi-disciplinary contractors. There is no formal restriction for entry to the contracting business in Hong Kong. Foreign and local contractors are treated alike, and they are allowed to tender local public sector projects.

As of April 2015, there were (i) over 4,700 electrical contractor limited companies registered under the EMSD to carry out electrical work in Hong Kong; (ii) over 270 fire service installation contractors holding both Class 1 and Class 2 license under the Fire Services Department to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which (a) contains an electrical circuit or other apparatus for the detection and warning, by alarm or otherwise, of smoke or fire (Class 1 license) and (b) contains pipes and fittings designed or adapted to carry water or some other fire extinguishing medium or any type of electrical apparatus other than those specified in class 1 (Class 2 license); (iii) 64 approved specialist contractors registered under the Development Bureau to carry out air conditioning installation for public works in Hong Kong; (iv) 172 registered specialist contractors under the Buildings department who are qualified to perform ventilation works under the Buildings Ordinance; and (v) 1,071 registered minor works contractor (classes I, II and III) under the Buildings Department to carry out different classes, types and items of minor works.

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OVERVIEW OF BUILDING SERVICES (SPECIAL TRADES) IN HONG KONG

Gross value of special trades construction works (2008–2014)



Source: Report on the Quarterly Survey of Construction Output (2008 – 2014), C&SD

Notes:

1. Special trades include carpentry, electrical equipment, ventilation, gas and water fitting installation and maintenance etc.
2. A construction establishment is regarded as a main contractor for a particular construction contract if it secures the contract directly from the property developer or the client party of the project, and assumes full responsibilities for the satisfactory completion of the construction works. It is regarded as a subcontractor if it secures the contract from another contractor (either main contractor or subcontractor).
3. Owing to the widespread subcontracting practices in the construction industry, a construction establishment can be a main contractor for one contract and a subcontractor for another contract at the same time. For the purpose of the above chart, the gross value of construction works performed by main contractor covers only those projects in which the construction establishment takes the role of a main contractor, but not projects in which it takes only the role of a subcontractor. However, subcontractors' contribution to projects should have been included in the gross value of construction works performed by main contractor for whom they worked.
4. The above statistics are subject to the effect of double-counting as subcontractors may further subcontract their construction works. Thus such figures only serve to provide a broad indication of the extent of subcontracting in the construction industry and should be interpreted with care.
5. The gross value of special trades construction works for 2014 is provisional figure.

Gross value of special trades construction works which include services provided in building industry has increased from approximately HK\$49 billion in 2008 to approximately HK\$100 billion in 2014, representing an increase of approximately 103.3% and a CAGR of approximately 12.6%. The amount has increased by approximately 32.2% from HK\$76 billion in 2013 to HK\$100 billion in 2014. The portion of gross output value attributable to subcontractor ranges from 73% to 76% of total gross output value during the period.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

There is a large number of contractors in Hong Kong which provide services in relation to supply, installation and maintenance of (i) air-conditioning system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system and the competition in the market is intense. The Directors consider that there are entry barriers of the building service industry in Hong Kong which

INDUSTRY OVERVIEW

hinder new players from entering into the industry. Such entry barriers include (i) attainment of required registrations under different authorities for different types of works; (ii) credible track record built over years of high quality of projects; (iii) attracting experienced and qualified technical personnel. Potential competitors will also have to face challenges such as increasing labour costs, subcontracting charges, material costs which can be affected by economic factors such as macro-economic trend, property market, interest rate and inflation rate. All of the above factors create entry barriers for the Group's potential competitors.

Based on the gross value of construction works in nominal terms performed by the main contractors and the subcontractors of special trades of approximately HK\$100 billion in 2014 issued by C&SD and the Group's revenue of approximately HK\$135.5 million for the year ended 31 December 2014, the Group's revenue represented approximately 0.14% to the gross value of construction works in nominal terms performed by the main contractors and the subcontractors of special trades in 2014. To the best knowledge of the Directors, due to the lack of official and public statistics and information on each of the industry players in Hong Kong, it is difficult to accurately estimate the exact market position of the Group in Hong Kong.

FUTURE OPPORTUNITIES AND CHALLENGES

The Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the property markets in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong is the key driver for the growth of the Hong Kong building service industry. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors. Set out below is an analysis of the opportunities and challenges faced by the industry.

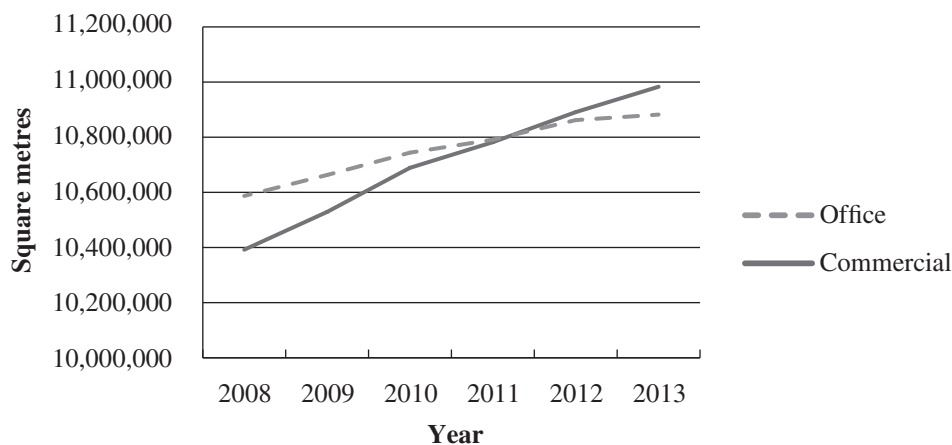
INDUSTRY OVERVIEW

I. Property market

Completion of properties and stock of properties in Hong Kong from 2008 to 2013

According to the statistics published by the Rating and Valuation Department, yearly completion of non-residential properties in Hong Kong recorded a significant drop from approximately 390,400 square metres in 2008 to approximately 161,100 square metres in 2013. From 2012 to 2013, this figure has decreased by 64,700 square metres, representing a decrease of approximately 28.7% in 1 year. Private offices represent a major portion of the newly completed non-residential properties in 2013, contributing 76.2% of new completions for the year. Completion of private residential properties has decreased from 10,149 units in year 2012 to 8,254 units in year 2013, representing a drop of approximately 18.7%.

Stock of non-residential properties

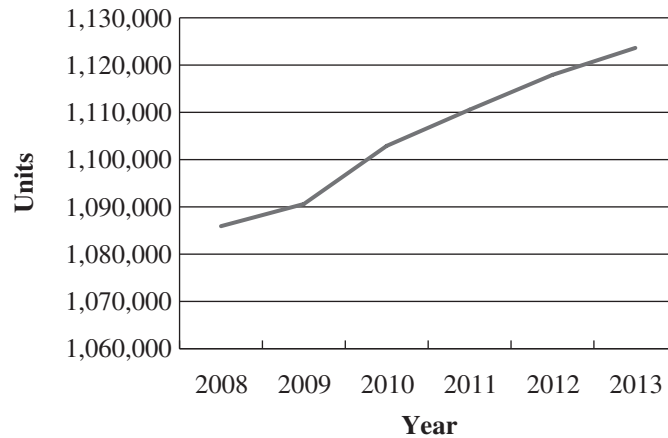


Source: Property Market Statistics — Rating and Valuation Department, HKSAR

Stock of office premises has increased from 10,392,300 square metres in 2008 to 10,983,200 square metres in 2013, representing a growth of approximately 5.7%. Stock of commercial premises has increased from 10,587,800 square metres in 2008 to 10,882,700 square metres in 2013, representing a growth of approximately 2.8%. Total stock of non-residential properties has increased by approximately 0.5%, from 21,753,200 square metres in 2012 to 21,865,900 square metres in 2013. While more office and commercial premises are established in Hong Kong, the potential demand for building service engineering in office and commercial premises is expected to increase accordingly.

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Stock of private residential properties (2008–2013)



Source: Property Market Statistics — Rating and Valuation Department, HKSAR

Moreover, stock of private residential properties is also on an upward trend as shown above. The stock of private residential properties increased from 1,085,922 units in 2008 to 1,123,633 units in 2013, representing a growth of approximately 3.5%. The stock also increased by approximately 0.5% from 1,117,932 units in 2012 to 1,123,633 units in 2013. While more private residential properties are established in Hong Kong, the potential demand for building service engineering in private residential properties is expected to increase accordingly.

Hong Kong population and Long Term Housing Strategy

According to the provisional figure published by the C&SD, Hong Kong population has reached approximately 7.26 million by the end of 2014 as compared with approximately 6.96 million in 2008. With the continuous growth in population, it is expected that demand for residential properties would increase.

With reference to the Long Term Housing Strategy promulgated by the HKSAR Government on 16 December 2014, one of the major strategies is to stabilize the residential property market through steady land supply and the Government adopts a total housing supply target of 480,000 units for the ten-year period from 2015/16 to 2024/25, with a public-private split of 60:40. Accordingly, the private housing supply target will be approximately 190,000 units in the coming ten years.

Driven by the expected increase in residential properties supply in the future, potential demand for building services would increase accordingly. In this regard, the prospect building services industry is positive.

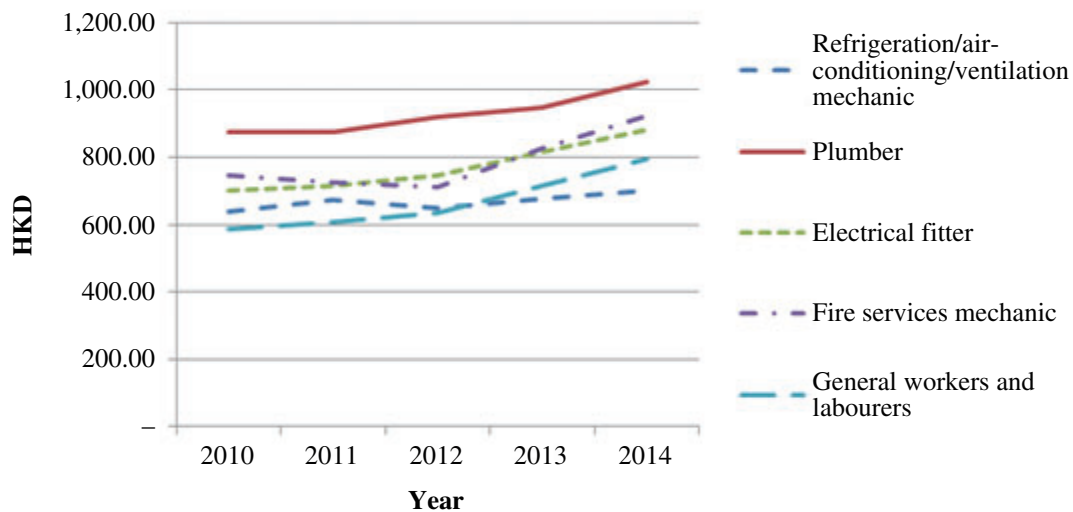
INDUSTRY OVERVIEW

II. Labour

Labour cost trend

The construction work carried out by the Group needs various kinds of workers including but not limited to plumber, electrical fitter (i.e. electrician), refrigeration/air conditioning/ventilation mechanic, fire services mechanic and general workers and labourers. Below is the chart showing the average daily wages movement of such workers from January 2010 to December 2014:

Average daily wages of different type of workers



Source: Average Daily Wages of Workers Engaged in Public Sector Construction Projects as Reported by Main Contractors (January 2010 – December 2014), C&SD

According to the statistics published by C&SD, the average daily wages of refrigeration/air conditioning/ventilation mechanic are trending upward as shown in the graph above. The average daily wages in 2014 is approximately HK\$700 as compared with HK\$676 in 2013, which represents an increase of approximately 3.5%.

Average daily wages of plumber is also increasing during the period. The amount increases from around HK\$948 per day in 2013 to HK\$1,024 per day in 2014, representing an increase of approximately 8.0% within one year. Average daily wages of electrical fitter also increase by approximately 8.4%, from around HK\$814 per day in 2013 to HK\$882 per day in 2014.

Among all types of workers as illustrated in the above diagram, the average daily wages of fire services mechanic, and general workers and labourers show the greatest percentage increase in 2014 as compared with 2013, calculated as approximately 11.9% and 10.8% respectively. The wages of fire services mechanic increase from around HK\$826 per day in 2013 to HK\$924 per day in 2014 while that of general workers and labourers increase from around HK\$716 per day in 2013 to HK\$793 per day in 2014.

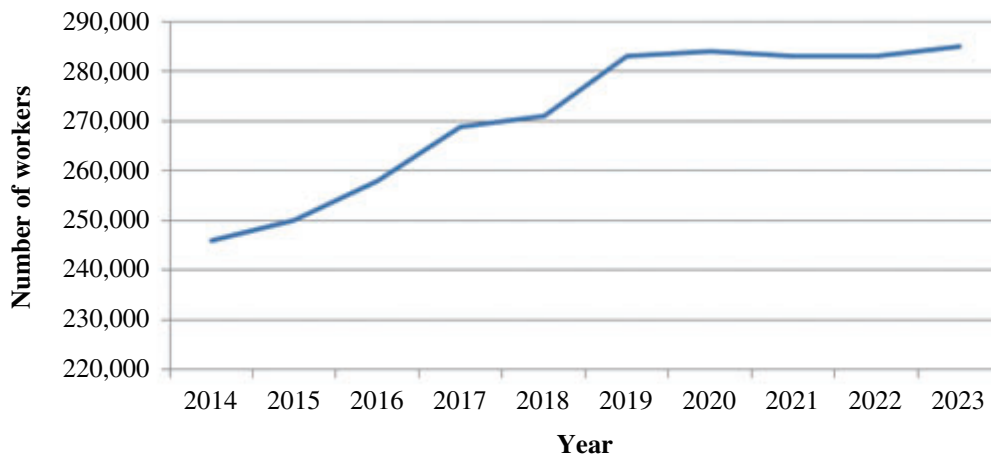
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In accordance with the Report of CIC Manpower Forecasting Model 2014 published by the Construction Industry Council (“CIC”), overall demand for construction workers in Hong Kong is increasing. Forecast shows that the construction industry would take up around 258,000 workers in 2016 and this figure is expected to reach around 285,000 by 2023, representing an increase of approximately 10.45% in 7 years. CIC expected that certain type of workers would be in consistent shortage.

Since labour cost is one of the major costs in building services industry, increase in labour cost would be a challenge to the industry.

Demand of labour in future

Demand for construction workers forecast (2014–2023)



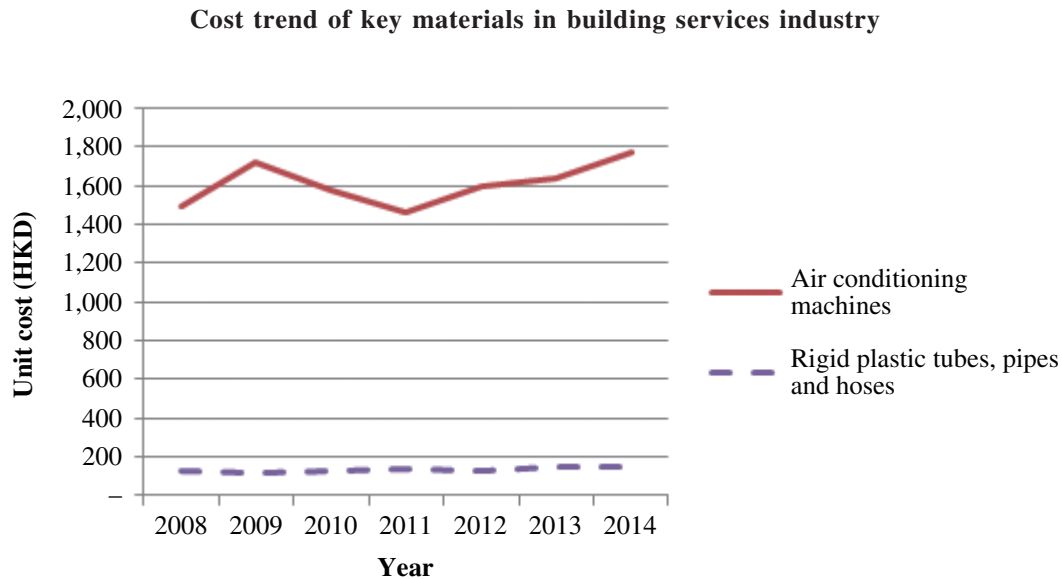
Source: Report of CIC Manpower Forecasting Model 2014 (Workers), CIC

With reference to the report of manpower forecast for general construction workers published by CIC in 2014, the overall demand for construction workers is in an upward trend from 2014 to 2023. It is expected that demand for construction workers would grow at a CAGR of approximately 2.8% till 2019 and would be flattened thereafter. The report stated that aging, job mismatch, limitations in training, increasing manpower demand etc, are the possible factors causing the critical manpower situation in the coming years.

INDUSTRY OVERVIEW

III. Key material cost

The following graph set out the cost trend of key materials used in building services industry during the period from 2008 to 2014:



Source: Hong Kong Merchandise Trade Statistics — Import (2008 – 2014), C&SD

Air conditioning machines is one of the important materials used in the building services industry. According to the C&SD, price of air conditioning machines rises gradually from approximately HK\$1,462 per unit in 2008 to approximately HK\$1,768 per unit in 2014, at a rate of approximately 20.9%. The unit price has increased by approximately 7.8% from HK\$1,641 in 2013 to HK\$1,768 in 2014. A majority of air conditioning machines are imported from The People’s Republic of China, representing around 58% of the total import value of air conditioning machines in Hong Kong in 2014.

Unit price of rigid plastic tubes, pipes and hoses remain stable during the period from 2008 to 2014. The price has slightly increased by approximately 5.5% from HK\$145 per 10kg in 2013 to HK\$153 per 10kg in 2014.

IV. 2015 Policy Address about construction industry

The Government has been working with the Construction Industry Council (CIC) and members of the sector to promote the healthy development of the construction industry. Following amendment of the Construction Workers Registration Ordinance in 2014, the requirements of “designated workers for designated trades” will be implemented under the construction workers registration scheme in 2017. Skilled construction workers will then be required to register according to their respective skills. This will help further raise the quality of construction works as well as the professional image of construction workers, and attract more people to join the industry. All along, the CIC has mainly provided training for workers to bring them to semi-skilled level. In this regard, the Government will provide \$100 million for the CIC to strengthen their work to train skilled workers for the industry. The Government will make continuous efforts to enhance the professional development of construction workers and provide them with more progression pathways.

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The construction industry is facing the problem of a severe shortage and ageing of skilled workers. Although the Government and CIC have made strenuous efforts in recent years to train local skilled workers and enhance the industry's professional image, and have attracted many new entrants to the industry, the keen demand has yet to be met. If the shortage of skilled workers cannot be properly dealt with, it will seriously affect the implementation of public housing, hospital, school and public transportation projects, and will also indirectly lead to the escalation of construction costs. To this end, the Government, the construction industry and the community must work together in a pragmatic manner and stay united to embrace the challenges ahead. The Government will take the most appropriate measures to tackle the problem of acute manpower shortage comprehensively and effectively. On the overriding premise of giving priority to the employment of local skilled workers, safeguarding their income levels as well as promoting training to the construction workforce in a continuous manner, the construction industry needs to import skilled workers in a timely and effective manner to meet the demand.

The Government rolled out measures to enhance the Supplementary Labour Scheme in April 2014 specifically for the construction industry in relation to public sector works projects. Nonetheless, the relevant measures have yet to fully address the keen demand of the industry for skilled workers. The Government needs to launch further enhancement measures having regard to the unique characteristics of the construction industry. For example, since construction works are carried out in sequential order and may be affected by factors such as supply of materials, progress of upstream work processes and so on, allowing imported skilled workers to work across various public sector works projects can enhance the flexibility of deployment, maximise the productivity of skilled workers and control costs more effectively. The Government will liaise closely with the construction industry and the labour sector on the detailed arrangements of the relevant measures and review their effectiveness in a timely manner. If these measures still cannot effectively resolve the acute shortage problem of skilled workers, the Government will explore with the construction industry and labour sector the introduction of other more effective and appropriate measures to reduce the adverse effects on Hong Kong's economic and social development. To give priority to local workers in employment, the Government will set up a dedicated Construction Industry Recruitment Centre. The centre will provide career counselling services, conduct on-the-spot job interviews and organise job fairs for local construction workers, and assist contractors in according priority to employing qualified local skilled workers.

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This section sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to the Group's operations and business in Hong Kong. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to the Group.

LAWS AND REGULATIONS IN RELATION TO CONSTRUCTION LABOUR, HEALTH AND SAFETY

Factories and Industrial Undertaking Ordinance

The Factories and Industrial Undertaking Ordinance (Chapter 59 of the Laws of Hong Kong) provides for the safety and health protection to workers in the industrial undertaking. Under the Factories and Industrial Undertaking Ordinance, it is the duty of every proprietor of an industrial undertaking 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, so far as is reasonably practicable, extend to include:

- (i) the provision and maintenance of plant and systems of work that are safe and without risk to health;
- (ii) arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- (iii) the provision of such information, instruction, training and supervision as is necessary to ensure the health and safety at work of all persons employed by him at the industrial undertaking;
- (iv) as regards any part of the industrial undertaking under the proprietor's control, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of means of access to and egress from it that are safe and without such risks; and
- (v) the provision and maintenance of a working environment for all persons employed by him at the industrial undertaking that is safe, and without risks to health.

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 willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the duty to ensure safety of places of work; (iii) the duty to comply with miscellaneous safety requirements; and (vi) 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 to imprisonment up to 12 months.

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Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Every employer must, as far as reasonably practicable, ensure the safety and health at work for all in the employees by :

- (i) providing and maintaining plant and systems of work that are safe and without risks to health;
- (ii) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (iii) providing such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;
- (iv) as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health or providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- (v) providing or maintaining a working environment for the employees that is safe and without risks to health.

Failure to comply with 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 do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may issue improvement notices against contravention of this Ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notice against activity or condition or use of workplace which may create imminent risk of death or serious bodily injury to the employees. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively, and imprisonment of up to 12 months.

Employment Ordinance

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Pursuant to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor to the subcontractor is/are jointly and severally liable to pay any wages that become due to an 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. The liability of a principal contractor or a superior subcontractor (where applicable) shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and

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(ii) the wages due to such an employee for two months without any deductions under the Employment Ordinance and such months shall be the first two months of the period in respect of which the wages are due to the employee.

An employee who has outstanding wage payments from a subcontractor must serve a notice in writing on the principal contractor within 60 days (or such other additional period not exceeding 90 days as the Commissioner for Labour may permit) after the date on which the wages become due. A principal contractor and superior subcontractor (if any) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor in accordance with the Employment Ordinance.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after the receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (if any) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. Such principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or which may become due to the subcontractor in respect of the work that he has subcontracted.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) 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 or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to a subcontractor's employee who is injured in the course of his/her 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 under the Employees' Compensation Ordinance. The employee in question is required to serve a notice in writing on the principal contractor before making any claim or application against the principal contractor.

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According 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). 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.

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 at level 6 (currently at HK\$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

Occupiers Liability Ordinance

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

Pursuant to section 38A of the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), a construction site controller (the principal or main contractor and includes a subcontractor, owner, occupier or other person 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 the construction site; or (ii) prevent illegal workers who are not lawfully employable from taking employment on the construction site.

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

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (except those specified under section 7 of the Minimum Wage Ordinance). A provision of a contract of employment that purports to extinguish or reduce any 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

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance 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, including without limitation to the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, 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 that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise Control Ordinance

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) controls, among others, the noise from the construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiaries regulations in carrying out construction work.

Under the Noise Control Ordinance, any person who at any place between the hours of 7 p.m. and 7 a.m., or at any time on a general holiday, use or cause or permit to be used, any powered mechanical equipment for the purpose of carrying out any construction work other than percussive piling unless construction noise permit has been obtained from the Noise Control Authority in advance or the work is carried out in accordance with the conditions of the construction noise permit. 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 subsequent conviction 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. Further, certain equipment is subject to restrictions, for example handheld percussive breakers and air compressors must comply with noise emission standards and be issued with a noise emission label from the Noise Control Authority.

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) controls and regulates the production, storage, collection and disposal including the treatment, reprocessing and recycling of waste. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

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A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste may be accepted for disposal at a designated waste disposal facility only if the facility is a prescribed facility. A main contractor who undertakes construction work with a value of HK\$1,000,000 or above under a contract that has been awarded, shall within 21 days after being awarded the contract, make an application to the Director of Environmental Protection to establish a billing account solely in respect of that contract to pay the prescribed charge payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person shall not produce or cause to be produced chemical waste unless he is registered as a chemical waste producer. The waste must be packaged, labelled and stored properly before disposal. Only a licensed collector can transport the waste to a licensed reception point for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection to use the land or premises for the purpose. A person who contravenes this commits an offence and is liable (i) for the first offence, to a fine of HK\$200,000 and to imprisonment for six months; (ii) for a second or subsequent offence, to a fine of HK\$500,000 and to imprisonment for six months; and (iii) in addition, if the offence is a continuing offence to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Environmental Impact Assessment Ordinance

The Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) without an environmental permit for the project or contrary to the conditions, if any, set out in the permit. The offender is liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (iii) on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for six months; (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

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CONTRACTOR LICENSING AND REGISTRATION REGIME

Specialist contractor in public sector

A contractor who wishes to undertake public works must be approved by the Development Bureau to be included in either the List or the Specialist List maintained by the Works Branch of the Development Bureau. The List comprises contractors who are approved for carrying out public works in one or more of the five categories of building and civil engineering works. The Specialist List comprises suppliers and contractors who are approved for carrying out public works in one or more of the 50 categories of specialist works. Lap Kei is an approved specialist contractor in the following category of specialist works on the Specialist List:

Category	Group	Scope of category
Air-conditioning Installation	I (Confirmed)	The supply, installation and maintenance of air-conditioning installations comprising chillers, refrigeration systems, heat rejection plants, pipeworks, water handling equipment, air ducts, air handling equipment, thermal insulation, control and monitoring systems, etc.

Contractors in some categories on the Specialist List are further divided into classes according to the type of works within that particular category and groups (groups I and II or groups I, II and III) according to the value of contracts for which they are normally eligible to tender. Group tender limits are applicable to eight categories of works in the Specialist List. The authorised contract sum for each of the groups within the category of air-conditioning installation are set out as below:

Category	Group	Authorised contract sum
Air-conditioning Installation	I	Contracts/subcontracts up to HK\$5.7 million
	II	Contracts/subcontracts of unlimited value

Contractors are required to meet the financial, technical, management, personnel and safety criteria applicable to their appropriate category and group for admission and retention on the Specialist List. For retention on the Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital applicable to the appropriate category and group. The minimum levels are periodically adjusted. At present, to be retained on the air-conditioning installation category (Group I) of the Specialist List, a contractor must satisfy the requirements of having minimum employed capital of HK\$570,000 and minimum working capital HK\$570,000.

Electrical contractor

Under the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), all electrical contractors carrying out electrical work have to be registered with the Director of Electrical and Mechanical Services. The Electricity Ordinance provides for the registration and regulation of the electrical contractor in order to protect the general public in the use of electricity. Any person not being a registered electrical contractor who does business as an electrical contractor or contract to carry out

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electrical work in Hong Kong commits an offence and is liable to a fine of HK\$50,000 on a first conviction and a fine of HK\$100,000 on a subsequent conviction for the same offence and in either case is liable to imprisonment for 6 months.

All contractors engaged in electrical work on fixed electrical installations must be registered with the EMSD. Under regulation 3 of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), to be qualified as a registered electrical contractor the applicant for registration must either employ at least one registered electrical worker or:

- (i) if the applicant is an individual, he/she must be a registered electrical worker; or
- (ii) if the applicant is a partnership, one of the partners must be a registered electrical worker.

A registration or renewal registration for an electrical contractor is normally valid for three years. Under regulation 13 of the Electricity (Registration) Regulations, a registered contractor should submit to the Director of Electrical and Mechanical Services an application for renewal of registration at least one month before, and no earlier than four months before, the expiry date of the current registration.

Fire service installation contractor

Pursuant to regulation 3(1) of the Fire Service (Installation Contractors) Regulations (Chapter 95A of the Laws of Hong Kong), any contractor having at least a director, partner or employee who is:

- (i) 21 years of age or more;
- (ii) resident in Hong Kong; and
- (iii) holding qualifications specified in regulation 4(2) or (3) of the Fire Service (Installation Contractors) Regulations,

may apply to the Director of Fire Service for registration as a registered fire service installation contractor in class 1 or/and class 2.

Under regulation 4 of the Fire Service (Installation Contractors) Regulations, a registered fire service installation contractor in class 1 is fit to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which contains an electrical circuit or other apparatus for the detection and warning, by alarm or otherwise, of smoke or fire. A registered fire service installation contractor in class 2 is fit to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which contains (i) pipes and fittings designed or adapted to carry water or some other fire extinguishing medium; or (ii) any type of electrical apparatus other than those specified in class 1.

A registered contractor who undertakes any work in connection with fire service installation or equipment, except work of the class in respect of which his name is entered in the register, shall be guilty of an offence and is liable to conviction and a fine at level 3 (currently at HK\$10,000).

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Specialist contractor and minor works contractor under the Buildings Ordinance

The Building Authority keeps (i) a register of general building contractors, (ii) a register of specialist contractors; and (iii) a register of minor works contractors.

Specialist contractor

Pursuant to the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), registered specialist contractors under the register of specialist contractors kept by the Building Authority are qualified to perform and carry out specialised works specified in the category in the sub-register in which are entered. Lap Kei is registered as a specialist contractor in the ventilation works category. Pursuant to the Building (Ventilating Systems) Regulations (Chapter 123J of the Laws of Hong Kong), the scope of work in this category covers every ventilating system that embodies the use of ducting or trunking, which passes through any wall, floor or ceiling of the building in which the ventilating system is installed, from one compartment of such building to another.

Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a specialist contractor must satisfy the Building Authority on:

- (i) if it is a corporation, the adequacy of its management structure;
- (ii) the appropriate experience and qualifications of his personnel;
- (iii) his ability to have access to plant and resources;
- (iv) the ability of the person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

An applicant for registration as a specialist contractor must satisfy the Building Authority that he has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category.

In considering each application, the Building Authority is to have regard to the qualifications, competence and experience of the following personnel of the applicant:

- (i) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance (the "**Authorised Signatory**");
- (ii) if the applicant is a corporation, a minimum of one director from the board of directors of the applicant who is authorised by the board (the "**Technical Director**") to:
 - (a) have access to plant and resources;
 - (b) provide technical and financial support for the execution of building works and street works;

REGULATORY OVERVIEW

- (c) make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- (d) for a corporation which appoints a director who does not possess the required qualification or experience as the Technical Director to manage the carrying out of building works and street works (the "Other Officer") authorised by the board of directors to assist the Technical Director.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works. For registration as a registered specialist contractor, the applicant should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

Under section 8C(2) of the Buildings Ordinance, a registered contractor may apply to the Building Authority for renewal of his registration not earlier than four months and not later than 28 days prior to the date of the expiry of the relevant registration.

Minor works contractor

Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

Under the Building (Minor Works) Regulation, a subsidiary legislation under the Buildings Ordinance, "minor works" are classified into three classes according to their nature, scale and complexity and the risk and safety: (i) Class I (total of 44 items) including mainly those relatively more complicated minor works; (ii) Class II (total of 40 items) comprising those of comparatively lower complexity and risk to safety; and (iii) Class III (total of 42 items) mainly including common household minor works. The size, location and respective criteria of each item of minor works are set out in Part 3 of Schedule 1 of the Building (Minor Works) Regulation. Minor works are further classified into seven types under Part 2 of Schedule 1 of the same regulation: (i) Type A (Alternation and Addition works); (ii) Type B (Repair Works); (iii) Type C (Works relating to Signboards); (iv) Type D (Drainage Works); (v) Type E (Works relating to Structures for Amenities); (vi) Type F (Finishes Works); and (vii) Type G (Demolition Works).

Class I minor works require higher technical experience and more stringent supervision and thus requires the appointment of prescribed building professional ("Building Professional") such as authorised person and where necessary may include a registered structural engineer and/or registered geotechnical engineer) and a prescribed registered contractor ("Register Contractor"). Classes II and III minor works can be carried out by a Registered Contractor without the involvement of a Building Professional.

REGULATORY OVERVIEW

Under section 12(5) of the Building (Minor Works) Regulation, the Building Authority must not allow an application for registration as an registered minor works contractor unless the Authority is satisfied that:

- (i) in respect of each type of minor works under each class to which the application relates, at least one individual nominated as an authorised signatory for the type of minor works (a) has the qualifications and experience specified by the Building Authority; and (b) has the ability to understand that type of minor works through relevant experience and a general knowledge of the basic statutory requirements;
- (ii) the applicant has access to plants and resources;
- (iii) if the applicant is a corporation, (a) its management structure is adequate; and (b) at least one of its directors has the qualifications and experience specified by the Building Authority; and
- (iv) the applicant is suitable for registration in the register.

Under section 12(6) of the Building (Minor Works) Regulation, in deciding whether the applicant is suitable for registration in the register, the Building Authority must take into account (i) whether the applicant and the individual nominated as authorised signatory have any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works; and (ii) whether any disciplinary order has been made against the applicant or the individual.

In considering each application for registration, the Building Authority is to have regard to the qualification, experience and suitability of the following key personnel of the applicant:

- (i) a minimum of one person appointed by the applicant to act for the applicant for the purpose of the Buildings Ordinance as the authorised signatory (the "AS"); and
- (ii) for a corporation, a minimum of one director from the board of directors of the applicant as the technical director (the "TD"), who is authorised by the board to:
 - (a) have access to plants and resources;
 - (b) provide technical and financial support for the execution of minor works; and
 - (c) make decisions for the company and supervise the AS and other personnel.

For a corporate applicant, a suitable person appointed by the board of directors is eligible to act as the AS and a director of the board of directors is eligible to act as the TD.

Under section 14(2)(c) of the Building (Minor Works) Regulation, a registered minor works contractor must apply to the Building Authority for renewal of his registration not more than four months but not less than 28 days prior to the expiry of the registration.

REGULATORY OVERVIEW

Under section 13 of the Buildings Ordinance, the Building Authority may bring to the notice of a disciplinary board appointed under the ordinance if a registered general building contractor, a registered specialist contractor or a registered minor works contractor has committed the following misconduct:

- (i) having been convicted by any court of an offence relating to building works or street works;
- (ii) having been negligent or misconducted in building works or street works;
- (iii) having deviated in a material manner from a supervision plan without reasonable cause;
- (iv) having drawn up or repeatedly drawn up a supervision plan that does not comply with the material requirements of the Buildings Ordinance;
- (v) having certified minor works commenced under the simplified requirements that have been carried out in contravention of the Buildings Ordinance;
- (vi) having supervised minor works commenced under the simplified requirements that have been carried out in such a manner that they have caused injury to a person (whether or not under such supervision);
- (vii) having carried out minor works commenced under the simplified requirements in such a manner that they have caused injury to a person;
- (viii) having carried out building works (other than minor works) under the simplified requirements as if it were minor works commenced under the simplified requirements;
- (ix) having certified building works (other than minor works) as if it were minor works commenced under simplified requirements; or
- (x) having failed to discharge the duties, or abide by the requirements, imposed on a registered minor works contractor under the Buildings Ordinance in respect of a prescribed inspection or prescribed repair.

The Building Authority may refer the names of the directors, officers or any person appointed to act for the registered contractor for the purposes of the Buildings Ordinance to the disciplinary board for its consideration and action.

Where, after due inquiry, the disciplinary board is satisfied that the registered contractor or the director or officer or the person appointed by the registered contractor to act on its behalf for the purposes of the Buildings Ordinance has been convicted or committed the misconduct, the disciplinary board may:

- (i) order that the name of the registered contractor or the name of the director, officer or person be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit;

REGULATORY OVERVIEW

- (ii) order that the registered contractor or the director, officer or person be fined (in the case of building works (other than minor works, a sum not exceeding HK\$250,000 or the case of a prescribed inspection in respect of a window in a building or minor works, a sum not exceeding HK\$150,000);
- (iii) order that the registered contractor or the director, officer or person be reprimanded;
- (iv) prohibit a registered contractor who is a registered general building contractor or a registered specialist contractor from certifying or carrying out any minor works commenced under the simplified requirements, either permanently or for such period as the disciplinary board thinks fit; or
- (v) prohibit a registered contractor who is a registered general building contractor or registered minor works contractor from certifying any prescribed inspection, or certifying or supervising any prescribed repair, in respect of a window in a building, either permanently or for any period that the disciplinary board thinks fit.

Regulating actions against approved contractors by the Development Bureau

The Secretary for Development reserves the right to remove any contractor from the List and/or the Specialist List or take other regulating action against a contractor such as suspension, or where applicable, downgrading to probationary status or demotion to a lower group, in respect of all or any of the works categories he is in.

Circumstances which may lead to the taking of regulating actions include, but are not limited to unsatisfactory performance, failure to meet the financial criteria within the prescribed time, misconduct or suspected misconduct, poor site safety record, poor environmental performance, court convictions such as contravention of site safety legislation and Employment Ordinance and employment of illegal workers, etc.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

The history of the Group dates back to 1997 when Mr. Wong and Ms. So established Lap Kei. In early years, the Group was principally engaged in the provision of engineering services for building services with a focus on air-conditioning systems.

The Group has expanded its building service engineering business by obtaining various qualifications including but not limited to Registered Electrical Contractor, Registered Specialist Contractor (Ventilation Works), Registered Fire Service Installation Contractor — Classes 1 & 2, Approved Suppliers of Materials & Specialist Contractors for Public Works — Group I — Air-conditioning installation and Registered Minor Works Contractor (Classes I, II and III) and by setting up another company Wealth E & M in 2004.

MAJOR MILESTONES

Set out below is a summary of the major milestones of the development of the Group's business:

Year	Milestone
1997	Lap Kei was incorporated in Hong Kong
1998	Lap Kei obtained ISO 9001:2008 from Hong Kong Quality Assurance Agency for compliance with the requirements of quality management system standard applicable to design, supply and installation of low voltage electrical, mechanical ventilation and air-conditioning systems Lap Kei registered as a Registered Electrical Contractor
2001	Lap Kei obtained a Certificate of Registered Fire Service Installation Contractor Classes 1 and 2 from the Fire Services Department
2002	Lap Kei obtained a Certificate of Registration of Specialist Contractor (Ventilation Works) from the Building Authority
2004	Wealth E & M was incorporated in Hong Kong
2006	Lap Kei became an approved contractor under the list of Approved Suppliers of Materials and Specialist Contractors for Public Works on air-conditioning
2007	Lap Kei commenced chiller plant installation works in a clubhouse for a total contract sum of approximately HK\$10.6 million
2009	Lap Kei commenced the building services engineering works in an education center for a total contract sum of approximately HK\$15.9 million Wealth E & M obtained a Certificate of Registration of a Registered Electrical Contractor
2010	Lap Kei commenced the building services engineering works in hotel buildings for a total contract sum of approximately HK\$27.6 million

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Milestone
2011	Lap Kei commenced building services engineering works in Sha Tin Racecourse for a total contract sum of approximately HK\$30.4 million
2012	Lap Kei obtained a Certificate of Registration of a Registered Minor Works Contractor (Classes I, II and III)
2013	Lap Kei commenced building services engineering works in a private hospital for a total contract sum of approximately HK\$11.9 million
2014	Lap Kei commenced building services engineering works in a residential building for a total contract sum of approximately HK\$52 million
2015	The Company was incorporated in the Cayman Islands as part of the Reorganisation for the purpose of the [REDACTED]

CORPORATE DEVELOPMENT

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 April 2015. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” under this section, the Company has become the holding company of the Group for the purpose of the [REDACTED]. As at the Latest Practicable Date, the Group comprised the Company, LKW Enterprise, Lap Kei and Wealth E & M. The following sets forth the corporate development of each subsidiary of the Company since their respective dates of incorporation.

LKW Enterprise

LKW Enterprise was incorporated in BVI on 19 March 2015 with limited liability. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. It is principally engaged in investment holding.

On 19 March 2015, one subscriber share with a par value of US\$1.00 was allotted and issued as fully paid to Mr. Wong at par and LKW Enterprise became wholly-owned by Mr. Wong.

On 31 March 2015, 98 shares and one share of US\$1.00 each were allotted and issued to Mr. Wong and Ms. So, respectively, and LKW Enterprise was owned as to 99% and 1% by Mr. Wong and Ms. So, respectively.

On 18 May 2015, the Company acquired 99 shares and 1 share in LKW Enterprise at US\$1.00 each from Mr. Wong and Ms. So, respectively. Such transactions were properly and legally completed and settled on the same day. Upon completion, LKW Enterprise became a wholly-owned subsidiary of the Company.

Lap Kei

Lap Kei was incorporated in Hong Kong on 22 December 1997 with limited liability. It is principally engaged in the provision of building services engineering works in Hong Kong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the time of its incorporation, Lap Kei had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On 22 December 1997, one subscriber share with a par value of HK\$1.00 each was allotted and issued at par to each of Mr. Wong and Ms. So, respectively, and Lap Kei was owned as to 50% and 50% by Mr. Wong and Ms. So, respectively.

On 30 December 1997, 8,999 and 999 shares with a par value of HK\$1.00 each were allotted and issued to Mr. Wong and Ms. So, respectively, and Lap Kei was owned as to 90% and 10% by Mr. Wong and Ms. So, respectively.

On 8 December 1998, the registered share capital of Lap Kei was increased from HK\$10,000 to HK\$300,000. On the same day, 290,000 shares with a par value of HK\$1.00 each in Lap Kei were allotted and issued to Mr. Wong, and Lap Kei was owned as to approximately 99.67% and 0.33% by Mr. Wong and Ms. So, respectively.

On 12 May 1999, the registered share capital of Lap Kei was increased from HK\$300,000 to HK\$500,000. On the same day, 200,000 shares with a par value of HK\$1.00 each in Lap Kei were allotted and issued to Mr. Wong, and Lap Kei was owned as to 99.80% and 0.20% by Mr. Wong and Ms. So, respectively.

On 30 January 2001, the registered share capital of Lap Kei was increased from HK\$500,000 to HK\$600,000. On the same day, 100,000 shares with a par value of HK\$1.00 each in Lap Kei were allotted and issued to Mr. Wong, and Lap Kei was owned as to approximately 99.83% and 0.17% by Mr. Wong and Ms. So, respectively.

On 31 March 2015, as part of the Reorganisation, LKW Enterprise acquired 599,000 and 1,000 shares in Lap Kei from Mr. Wong and Ms. So, respectively. Such transactions were properly and legally completed and settled on the same day. Upon completion, Lap Kei became a wholly-owned subsidiary of LKW Enterprise.

Wealth E & M

Wealth E & M was incorporated in Hong Kong on 30 April 2004 with limited liability. It is principally engaged in the provision of building services engineering works in Hong Kong.

As at the time of its incorporation, Wealth E & M had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On 30 April 2004, 10,000 shares with a par value of HK\$1.00 each was allotted and issued to Ms. So, and Wealth E & M became wholly-owned by Ms. So.

On 31 March 2015, as part of the Reorganisation, LKW Enterprise acquired 10,000 shares in Wealth E & M from Ms. So. Such transaction was properly and legally completed and settled on the same day. Upon completion, Wealth E & M became a wholly-owned subsidiary of LKW Enterprise.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The Group underwent the Reorganisation in preparation for the [REDACTED], which involved the following steps:

Incorporation of LKW Enterprise

On 19 March 2015, LKW Enterprise was incorporated in BVI with limited liability. As at the date of its incorporation, LKW Enterprise was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. On the same day, one subscriber share with a par value of US\$1.00 was allotted and issued as fully paid to Mr. Wong at par and LKW Enterprise became wholly-owned by Mr. Wong.

Acquisition of Lap Kei and Wealth E & M by LKW Enterprise from Mr. Wong and Ms. So, respectively

Lap Kei was legally and beneficially owned as to 599,000 ordinary shares by Mr. Wong and 1,000 ordinary shares by Ms. So immediately before the Reorganisation, representing approximately 99.83% and 0.17% of the issued share capital of Lap Kei, respectively.

Wealth E & M was legally and beneficially owned as to 10,000 ordinary shares by Ms. So immediately before the Reorganisation, representing 100% of the issued share capital of Wealth E & M.

On 31 March 2015, Mr. Wong and Ms. So (as transferors), LKW Enterprise (as transferee), Lap Kei and Wealth E & M entered into a reorganisation agreement. Pursuant to the reorganisation agreement, LKW Enterprise acquired (i) 599,000 and 1,000 ordinary shares in Lap Kei from Mr. Wong and Ms. So, respectively, being approximately 99.83% and 0.17% of the issued share capital of Lap Kei, respectively; and (ii) 10,000 ordinary shares in Wealth E & M from Ms. So, being the entire issued share capital of Wealth E & M. In consideration of the acquisition, LKW Enterprise allotted and issued 98 ordinary shares and one ordinary share of US\$1.00 each in LKW Enterprise, credited as fully paid, to Mr. Wong and Ms. So, respectively.

On 31 March 2015, Mr. Wong (as transferor) and LKW Enterprise (as transferee) executed an instrument of transfer and bought and sold notes, pursuant to which 599,000 ordinary shares in Lap Kei legally and beneficially owned by Mr. Wong were transferred to LKW Enterprise.

On 31 March 2015, Ms. So (as transferor) and LKW Enterprise (as transferee) executed an instrument of transfer and bought and sold notes, pursuant to which 1,000 ordinary shares in Lap Kei legally and beneficially owned by Ms. So were transferred to LKW Enterprise.

On 31 March 2015, Ms. So (as transferor) and LKW Enterprise (as transferee) executed an instrument of transfer and bought and sold notes, pursuant to which 10,000 ordinary shares in Wealth E & M legally and beneficially owned by Ms. So were transferred to LKW Enterprise.

Upon settlement and completion of the above acquisitions on 31 March 2015, Lap Kei and Wealth E & M became wholly-owned subsidiaries of LKW Enterprise, and LKW Enterprise was owned as to 99% and 1% by Mr. Wong and Ms. So, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of Golden Luck

On 24 April 2015, Golden Luck was incorporated in BVI with limited liability. As at the date of its incorporation, Golden Luck was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each.

On 24 April 2015, one subscriber share with a par value of US\$1.00 was allotted and issued, credited, as fully paid, to Mr. Wong and Golden Luck became wholly-owned by Mr. Wong.

Incorporation of the Company

On 29 April 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital of the Company as at the date of incorporation was HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each.

On 29 April 2015, one subscriber share with a par value of HK\$0.01 was allotted and issued, credited as fully paid, to Craig Fulton.

On 29 April 2015, Golden Luck (as transferee) and Craig Fulton (as transferor) executed an instrument of transfer, pursuant to which the one issued share in the Company was transferred to Golden Luck at par value of HK\$0.01. Upon settlement and completion, the Company became a wholly-owned subsidiary of Golden Luck.

Acquisition of LKW Enterprise by the Company from Mr. Wong and Ms. So, respectively

On 18 May 2015, Mr. Wong and Ms. So (as transferors), the Company (as transferee), LKW Enterprise and Golden Luck entered into a reorganisation agreement. Pursuant to the reorganisation agreement, the Company acquired 99 shares and 1 share in LKW Enterprise from Mr. Wong and Ms. So, respectively, representing 99% and 1% of the issued share capital of LKW Enterprise, respectively. In consideration of the acquisition, Golden Luck allotted and issued 98 and one ordinary shares of US\$1.00 each in Golden Luck, credited as fully paid, to Mr. Wong and Ms. So, respectively.

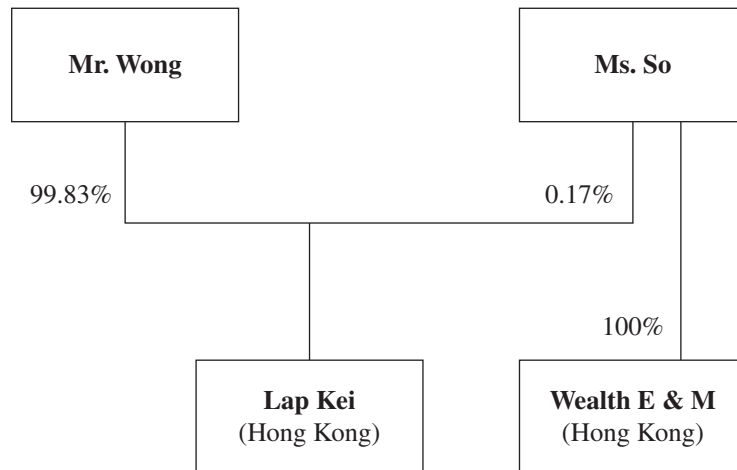
On 18 May 2015, Mr. Wong (as transferor) and the Company (as transferee) executed an instrument of transfer, pursuant to which 99 ordinary shares in LKW Enterprise legally and beneficially owned by Mr. Wong were transferred to the Company.

On 18 May 2015, Ms. So (as transferor) and the Company (as transferee) executed an instrument of transfer, pursuant to which one ordinary share in LKW Enterprise legally and beneficially owned by Ms. So was transferred to the Company.

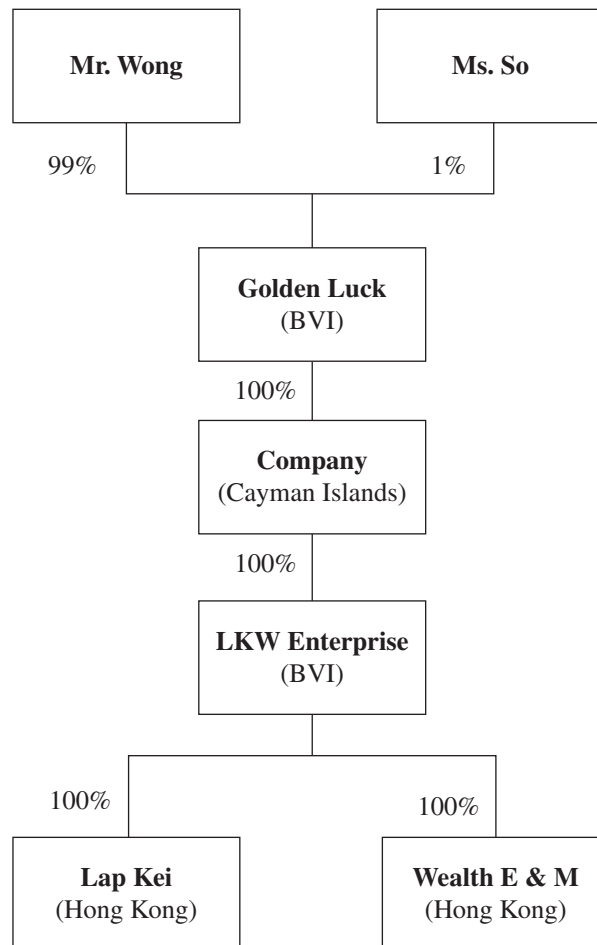
Upon settlement and completion of the above acquisitions on 18 May 2015, (i) LKW Enterprise became a wholly-owned subsidiary of the Company; and (ii) Golden Luck was legally and beneficially owned as to 99% and 1% by Mr. Wong and Ms. So, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the Group's shareholding and corporate structure immediately before the Reorganisation:



The following chart sets forth the Group's shareholding and corporate structure immediately after the Reorganisation but before the [REDACTED] and the [REDACTED]:

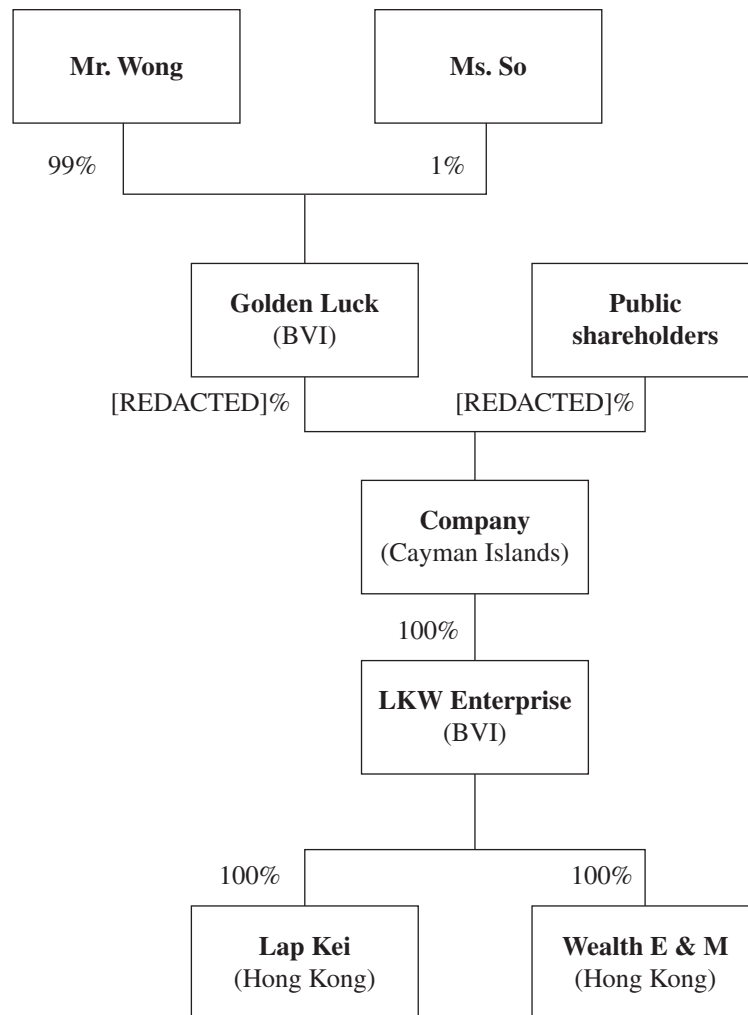


HISTORY, REORGANISATION AND CORPORATE STRUCTURE

[REDACTED]

Conditional upon the share premium account of the Company being credited as a result the new issue of Shares pursuant to the [REDACTED], an amount of HK\$[REDACTED] standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full at par a total of [REDACTED] Shares in the Company to be allotted and issued to Golden Luck prior to the [REDACTED] so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by it, will constitute [REDACTED] of the issued share capital of the Company.

The following chart sets out the Group's corporate structure immediately after the [REDACTED] and the [REDACTED], taking no account any Shares that may be issued pursuant to the exercise of the [REDACTED] and the exercise of any options that may be granted under the Share Option Scheme:



BUSINESS

OVERVIEW

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The Group undertakes building services engineering works which are mainly related to the supply, installation and maintenance of (i) ventilation and air-conditioning system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

During the Track Record Period, the Group undertook building services engineering projects from the private sector in Hong Kong. Projects from the private sector accounted for all of the total revenue for each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015. The Group's revenue is derived from building services engineering projects relating to both existing building and new building. During the Track Record Period, all of the Group's revenue was derived in Hong Kong.

In executing a building services engineering project, subject to the scope of work under the engagement, the Group is generally responsible for the design of the relevant building services systems, planning of the engineering works, arrangement of direct labour and subcontractors, sourcing of materials and equipment, work supervision and quality control, and ensuring compliance with the customers' requirements. In certain projects, the Group also provides complementary fitting-out services.

The allocation of works between in-house team of workers and subcontractors are determined on a case-by-case basis. Based on the Group's internal policies on engaging subcontractors, the Group generally assigns its in-house workers to perform engineering works for air-conditioning system and electrical system, which usually include the installation and configuration of control panels and ancillary systems, while the Group generally assigns subcontractors to perform works such as fire services system, plumbing and drainage system, and fitting-out works, which the Directors considered to be less technical in certain projects. The Group leverages on the expertise of its in-house engineering team to deliver quality work in conformity with customer's expectation and prescribed timeframe.

The Group's client base primarily consists of main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and in some cases, landlords or occasionally property developers or their consultants, who directly engage the Group as main contractor or as nominated subcontractor. The Group's building services engineering projects cover different types of buildings, including residential, commercial (e.g. office, hotel and shopping arcades, etc), industrial and institutional (e.g. hospital and academic institutions).

Revenue from a building services engineering project mainly represents the contract income, while main costs include subcontracting charges incurred by the Group, material and equipment costs, direct labour costs of in-house staff involved and other supplies required for the performance of the works.

The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering projects for existing building and new building; and (ii) maintenance, repair and other services ("maintenance projects") which mainly include provision of maintenance and repair services for building services system and replacement of parts. For building services engineering projects, the Group is required to complete the engineering works in relation to the installation/upgrade of building services systems as set out in the scope of work under the contract. For maintenance

BUSINESS

projects, the Group is required to provide maintenance services for existing building services systems of a property and/or portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

The following table sets out a breakdown of the Group’s revenue during the Track Record Period by building services engineering projects and maintenance projects:

	For the year ended 31 December				For the three-month period ended 31 March			
	2013		2014		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Building services engineering projects	127,400	87.6	118,360	87.4	21,340	84.6	37,377	86.1
Maintenance projects	<u>18,105</u>	<u>12.4</u>	<u>17,133</u>	<u>12.6</u>	<u>3,883</u>	<u>15.4</u>	<u>6,020</u>	<u>13.9</u>
	<u><u>145,505</u></u>	<u><u>100.0</u></u>	<u><u>135,493</u></u>	<u><u>100.0</u></u>	<u><u>25,223</u></u>	<u><u>100.0</u></u>	<u><u>43,397</u></u>	<u><u>100.0</u></u>

As at the Latest Practicable Date, the Group had 22 building services engineering projects and 28 maintenance projects in progress, with a total estimated outstanding contract sum and work order value of approximately HK\$198.1 million. Further details of the Group’s projects are set out in the sections headed “Business — Projects undertaken during the Track Record Period” and “Business — Projects in progress” in this document.

MARKET AND COMPETITION

The Directors consider that the level of demands for the Group’s engineering services depends on the availability of renovation projects as well as new buildings construction projects in Hong Kong which require engineering services for building services systems. The availability of new buildings construction projects as well as renovation projects in Hong Kong is expected to grow in the coming years as a result of, among others, the Long Term Housing Strategy that the Government adopts a total housing supply target of 480,000 units for the ten-year period from 2015/16 to 2024/25 and the increasing number of office and commercial premises and private residential properties in recent years.

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 document.

BUSINESS

COMPETITIVE STRENGTHS

The Directors believe the following competitive strengths contribute to the Group's continued success and potential for growth:

Established track record

The Group has been providing engineering services for the building services sector in Hong Kong since 1997. During the Group's operating history, the Group has completed over 700 projects for various types of buildings, including but not limited to residential properties, offices, industrial buildings and hospitals. The Group has accumulated vast experience in building service project execution through the projects undertaken over the years. The Directors believe that the Group's track record gives it a good reputation in the building services industry in Hong Kong for capable of delivering quality engineering solutions in a timely manner.

Long-term rapport with some of the Group's major suppliers and subcontractors

The Group has strong business relationships with most of its major subcontractors and suppliers ranging from 1 year to 10 years. The Group maintains a list of approved suppliers and subcontractors and engages these entities in the Group's projects thereby developing a close relationship with these suppliers and subcontractors. The Directors believe a strong relationship with experienced subcontractors is a strength and edge in maintaining the Group's service quality. The Directors believe that the Group can leverage on its existing relationship with subcontractors to further develop new business opportunities while controlling the Group's costs through favourable terms.

Integrated one-stop engineering services for building services systems

The Directors believe that one of its competitive strength lies on its capability to provide turnkey solution to customers in building services engineering.

The Group, with the required licenses, undertakes one-stop building services engineering services, from designing to engineering works, work supervision and post-completion maintenance services, that cover different aspects of building services engineering, including (i) ventilation and air-conditioning system; (ii) electrical system; (iii) fire services system; and (iv) plumbing and drainage system. By engaging the Group, customers are not required to assign multiple parties for the provision of building services engineering services for different aspects of the building services systems, thereby saving the need to coordinate the works of different parties and administrative costs incurred.

In designing and providing the engineering works for the building services systems, the Group's management team has the engineering expertise and experience to consolidate the specifications of different parts of the building services systems, which comply with the relevant rules and regulations while meeting the customer's requirements. The Directors consider that the design and engineering works of the entire building services systems to be carried out by the Group could ensure consistency and quality of the systems, which could add to the overall efficiency and reliability of the systems.

BUSINESS

Subject to separate engagement, the Group has a dedicated team to offer after-sales maintenance services for the building services systems after the end of the defect liability period of the respective project, including regular check and maintenance, and emergency call-out service for emergency repair to ensure the sound condition and functionality of the customer’s building services systems.

Expertise and experienced engineering team to deliver the required services

The Group’s founder, Mr. Wong, has over 26 years of experience in the industry of building services engineering in Hong Kong. The Group’s general manager, Mr. Leung Chi Man, is a chartered engineer who possesses extensive experience in building services engineering and has been serving the Group for over 15 years. Mr. Leung Chi Man holds a master degree in electrical engineering.

The Directors and senior management possess substantial experience, industry insight and project management experiences to facilitate the Group’s building service engineering business. This has also allowed the Group to secure numerous tenders over the years as well as provide the Group with accurate cost estimations during the tendering process and thereby reduce situations of cost overrun. For the experience and qualifications of the Directors and senior management, please refer to the section headed “Directors and senior management” of this document.

As at the Latest Practicable Date, the Group’s in-house engineering team consists of 85 members, including the general manager, engineering departments for building services engineering projects and maintenance projects, and tendering and procurement department. Out of the 85 members, 15 of them possesses higher diploma or above in related disciplines. By maintaining in-house engineering staff and direct workers, the Group is able to better control the project costs, and satisfy the stringent requirements of certain customers.

Based on the above, the Directors consider that the Group has a strong in-house engineering team which plays a critical role in delivering building services engineering services and gives the Group a competitive edge over its competitors in the industry.

BUSINESS STRATEGIES

The Group’s goals are to achieve sustainable growth and further strengthen its overall competitiveness and business growth in the building services engineering business in Hong Kong. To achieve this, the Directors plan to continue to capitalise on opportunities to leverage the Group’s competitive strengths and implement the following strategies:

1. Further development of the Group’s building services engineering business

In deciding whether to undertake a project, in particular of building services engineering project, the Group would consider, among other things, the amount of available working capital and requirements for projects in progress. There are often time lags, in particular during the early stage of project execution, between making payments to the Group’s subcontractors and other suppliers and receiving payments from the Group’s customers.

In addition, some building services engineering projects in the construction industry, including the building services segment, require contractors to provide surety bonds issued by a bank or insurance company in favour of the customer with a principal amount generally representing a percentage of the contract sum. In the event that the contractor fails to perform the

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contract according to the terms therein, the customer is guaranteed compensation for any monetary loss up to the principal amount of the surety bond, thereby guaranteeing the due completion of the works to be performed by the contractor in accordance with the terms of the contract. Further details on surety bonds are contained in the section headed “Business — Customers — General terms of engagement with customers — Building services engineering project — Surety bonds”.

During the Track Record Period, the Group had undertaken projects that require the provision of surety bonds. As at 31 December 2013 and 2014 and as at 31 March 2015, the amount of surety bonds provided by the Group were approximately HK\$5.4 million, HK\$17.6 million and HK\$8.7 million respectively. The Group intends to use HK\$26 million of the proceeds from the [REDACTED] for the provision of surety bonds.

In further developing the Group’s business, the Directors intend to undertake more building services engineering projects of larger scale in terms of contract sum in the future. The Directors believe that the net proceeds from the [REDACTED] will strengthen the Group’s available financial resources which allows the Group to undertake more projects of larger scale that are more working capital demanding and include those that require the provision of surety bond.

2. Further expansion of service scope

To strengthen the competitiveness of the Group’s services, the Group intends to apply for additional licences, permits or qualifications which may be required.

The Group is currently an Approved Suppliers of Materials and Specialist Contractors for Public Works (Group I) registered with the Works Branch of Development Bureau for public works involving air-conditioning installation. The Directors believe that potential customers can identify the Group from such list maintained by the Government authorities, and thus broaden the Group’s business opportunities.

The Group intends to apply to the Works Branch of Development Bureau for the registration of Approved Suppliers of Materials and Specialist Contractors for Public Works (Group II), which can undertake public works involving air-conditioning installation of unlimited contract value, as opposed to that of contract value up to HK\$5.7 million for Group I registration.

The Directors believe that the intended application for the registration of Approved Suppliers of Materials and Specialist Contractors for Public Works (Group II) could enhance the image of the Group to potential customers as to the Group’s capability.

3. Further strengthening the Group’s engineering department

The Group relies on its in-house engineering team for the execution of its building services engineering projects. The Group intends to expand its in-house engineering team by recruiting additional qualified and experienced staff, including engineers, in order to cope with its business development by undertaking building services engineering projects of larger scale and of higher complexity. The Group intends to use approximately HK\$9.7 million of the proceeds from the [REDACTED] for recruitment of additional qualified and experienced staff for the Group’s engineering team.

BUSINESS

In addition, the Group intends to continue encouraging its engineering department staff to attend technical courses, seminars and occupational health and safety courses through sponsorship of admission fees.

SCOPE OF BUSINESS

The Group is principally engaged in the provision of engineering services for building services systems for buildings in Hong Kong. The building services engineering works undertaken by the Group are mainly related to (i) design, supply, installation and maintenance of ventilation and air-conditioning systems; (ii) design, supply, installation and maintenance of electrical systems; (iii) design, supply and installation of fire services systems; and (iv) design, supply, installation and maintenance of plumbing and drainage systems. The Group is also engaged in the provision of fitting out works for buildings in Hong Kong.

Categories of building services systems covered by the Group's engineering services

Mechanical ventilation and air-conditioning systems

The Group takes part in the supply, installation and maintenance of MVAC systems. The main function of a ventilation system is to regulate the inflow and outflow of air within the building, supply air is treated and channelled into the building, while exhaust air is extracted. On the other hand, an air-conditioning system controls the temperature and humidity of air within the building and in some other cases provides a conditioned and controlled space for the storage of goods and/or equipment. A ventilation and air-conditioning system of a building generally comprises of chiller, ventilation fan, air handling unit.

Electrical systems

The Group takes part in the supply and installation of electrical systems. The electrical systems provide for the power supply to ensure the functioning of various systems in a building, including but not limited to, lighting, MVAC systems and fire services systems. The Group designs a electrical distribution network to enable power supply in support of the electrical systems supplied and installed by the Group. An electrical system of a building includes electrical distribution network geothermal system and switch gears.

Fire services systems

The Group takes part in the supply and installation of fire services systems. The fire services systems of a building offer protection to the property and its occupants. Fire services systems consist of the following subsystems: (i) fire detection and alarming system; (ii) fire suppression and extinguishing system; and emergency lightings. A fire detection and alarming system generally comprises a programed control panel which will notify the fire services control center of Fire Services Department upon activation of smoke and heat detection components, and will activate fire alarm, fire shutters, ventilation and air-conditioning system isolation, etc. A fire suppression and extinguishing system generally further comprises of sprinkler system, fire hydrant and hosereel system and portable fire services appliance, which helps suppress the spread of fire. Emergency lightings facilitate the escaping of occupants from the building to safe location.

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Plumbing and drainage systems

The Group takes part in the supply and installation of plumbing and drainage systems. The plumbing and drainage systems of a building provide clean and stable water supply for occupants, including fresh water for drinking, cooking and washing purposes and seawater/fresh water for flushing systems, and the functioning of the fire services systems in a building as well as the removal of waste water through the drainage system into the city's sewage system. A typical plumbing and drainage systems of a building comprise pipework, valves, pumps and rainwater drainage.

Fitting out works

In supporting of the Group's building services engineering business and as required by the customers, the Group may serve as a main contractor or subcontractor for alternations, addition, renovation, refurbishment and fitting out works in Hong Kong as complementary services. The main responsibilities of the Group's fitting out works consist of (i) interior decorative and modification, removal or installation of furniture, fixtures and equipment works; (ii) minor works (as defined in the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong)); and (iii) changes in external façade works.

Building services engineering works delivered by the Group

Design of building services systems

In some building services engineering projects, the Group may be required to provide designs to certain building services systems, mainly MVAC systems. The customer may provide preliminary designs on the building services systems with specific requirements, and the Group will base on such preliminary designs and requirements to provide detailed designs of the systems that can meet the customer's requirements.

In designing the MVAC system, the Group's engineering team will cater for both the functionality and cost efficiency of the system. The engineering team will take into account in its design the floor area of the building, the structural design of the building, building location as well as outdoor and indoor environmental data. The Directors consider that the Group is able to design MVAC system that meets the customer's requirements while lowers energy consumption and reduces energy loss.

In designing the electrical system, the Group's engineering team will consider the power requirement of the electrical units, the structural design of the building, the setting of other building services systems, as well as cater for the safety issue. The Directors consider that the Group is able to design electrical system that meets the customer's requirements while lowers energy consumption and reduces energy loss.

In designing the fire services system, and plumbing and drainage system, the Group's engineering team will consider the structural design of the building and apply suitable equipment and materials in its design. The Directors consider that the Group is able to design such systems that meet the customer's requirements.

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Installation of building services systems

During the installation stage of the building services system, the Group will arrange for direct labour and subcontractors for the execution of the works and source the required equipment and components.

In executing the building services engineering project for building services systems, the Group will ensure that such systems installed and the engineering works carried out for the installation comply with the customers’ requirements. The Group’s engineering team will supervise the site work and ensure compliance with the customers’ requirements.

Completion of project

Upon project completion, a certificate of practical completion is generally issued by the customer, certifying that the building services engineering works have been completed to the satisfaction of the customer and handed-over. Onsite inspection and certification of work are normally performed by the Group’s customers prior to issuance of practical completion certificate. Practical completion normally implies that the works as set out in the relevant contract have been duly completed.

Maintenance, repair and other services

Maintenance, repair and other services mainly include provision of maintenance and repair services for building services system and replacement of parts.

For maintenance, repair and other services, the Group is required to provide maintenance services for existing building services systems of a property/a portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair. Maintenance, repair and other services also include replacement of parts of building services systems and minor fitting-out services for properties in Hong Kong.

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The following table sets out a breakdown of the Group's revenue during the Track Record Period by building services engineering projects and maintenance projects:

	For the year ended 31 December				For the three-month period ended 31 March			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building services engineering projects	127,400	87.6	118,360	87.4	21,340	84.6	37,377	86.1
Maintenance projects	<u>18,105</u>	<u>12.4</u>	<u>17,133</u>	<u>12.6</u>	<u>3,883</u>	<u>15.4</u>	<u>6,020</u>	<u>13.9</u>
	<u>145,505</u>	<u>100.0</u>	<u>135,493</u>	<u>100.0</u>	<u>25,223</u>	<u>100.0</u>	<u>43,397</u>	<u>100.0</u>

(Unaudited)

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

The following table sets out the number of projects, with breakdown of building services engineering projects and maintenance projects, with engagement confirmed during the Track Record Period:

	Number of projects with engagement confirmed			
	For the year ended 31 December		For the three-month period ended 31 March	
	2013	2014	2014	2015
Building services engineering projects	35	35	9	4
Maintenance projects	<u>69</u>	<u>66</u>	<u>12</u>	<u>17</u>
	<u>104</u>	<u>101</u>	<u>21</u>	<u>21</u>

BUSINESS

The following table sets out the number of projects, with breakdown of building services engineering projects and maintenance projects, with revenue contribution during the Track Record Period:

	Number of projects with revenue contribution			
	For the year ended		For the three-month period	
	31 December		ended 31 March	
	2013	2014	2014	2015
Building services engineering projects	62	63	28	16
Maintenance projects	<u>120</u>	<u>109</u>	<u>50</u>	<u>45</u>
	<u><u>182</u></u>	<u><u>172</u></u>	<u><u>78</u></u>	<u><u>61</u></u>

The following table sets out the range of contract sum of the 35, 35 and 4 building services engineering projects with engagement confirmed during the year ended 31 December 2013 and 2014 and during the three-month period ended 31 March 2015 respectively.

	Contract sum per project with engagement confirmed			
	for building services engineering projects			
	During the year ended		During the three-month	
	31 December		period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Maximum	17,140	52,000	2,355	27,440
Minimum	110	214	260	559
Average	2,329	6,699	1,354	8,521

The following table sets out the range of contract sum of the 69, 66 and 17 maintenance projects with engagement confirmed during the year ended 31 December 2013 and 2014 and during the three-month period ended 31 March 2015 respectively.

	Contract sum per project with engagement confirmed			
	for maintenance projects			
	During the year ended		During the three-month	
	31 December		period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Maximum	2,508	925	196	982
Minimum	1	1	17	1
Average	149	133	74	229

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The average contract sum per project with engagement confirmed for building services engineering project was approximately HK\$2.3 million, HK\$6.7 million and HK\$8.5 million for the year ended 31 December 2013 and 31 December 2014 and for the three-month period ended 31 March 2015 respectively. During the Track Record Period, contract sum of maintenance projects were generally below HK\$1 million.

The following table sets out the range of revenue recognised of the 62, 63 and 16 building services engineering projects with revenue contribution during the year ended 31 December 2013 and 2014 and during the three month period ended 31 March 2015 respectively.

Revenue recognised during the year/period per building services engineering project with revenue contribution

	During the year ended 31 December		During the three-month period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Maximum	23,444	21,492	3,558	12,908
Minimum	1	1	3	1
Average	2,055	1,879	762	2,336

The following table sets out the range of revenue recognised of the 120, 109 and 45 maintenance projects with revenue contribution during the year ended 31 December 2013 and 2014 and during the three month period ended 31 March 2015 respectively.

Revenue recognised during the year/period per maintenance project with revenue contribution

	During the year ended 31 December		During the three-month period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Maximum	1,538	2,166	796	1,046
Minimum	1	1	1	1
Average	151	157	78	134

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Set out below is the breakdown of projects with engagement confirmed during the Track Record Period by range of contract sum:

	Number of projects with engagement confirmed			
	For the year ended		For the three-month period	
	31 December		ended 31 March	
	2013	2014	2014	2015
HK\$10 million or above	3	5	—	1
HK\$5 million to below				
HK\$10 million	1	2	—	1
HK\$1 million to below				
HK\$5 million	16	16	6	—
Below HK\$1 million	<u>84</u>	<u>78</u>	<u>15</u>	<u>19</u>
	<u><u>104</u></u>	<u><u>101</u></u>	<u><u>21</u></u>	<u><u>21</u></u>

The following table sets out the top five projects with the highest revenue contribution to the Group for the year ended 31 December 2013:

Rank	Customer	Key scope of work	Amount of revenue recognised for the year ended 31 December 2013 <i>HK\$ million</i>	% of the Group's total revenue for the year ended 31 December 2013
1	Customer A	Engineering service for the MVAC system of commercial buildings	23.4	16.1%
2	Customer B <i>(Note)</i>	Renovation involving engineering services for building services systems and fitting-out works for a wing building of a private hospital	13.1	9.0%
3	Customer C	Engineering services for the plumbing and drainage system of a hotel	11.7	8.0%
4	Customer D	Engineering service for the MVAC system of commercial and residential buildings	9.2	6.3%

BUSINESS

Rank	Customer	Key scope of work	Amount of revenue recognised for the year ended 31 December 2013 <i>HK\$ million</i>	% of the Group's total revenue for the year ended 31 December 2013
5	Customer E <i>(Note)</i>	Renovation involving engineering services for building services systems and fitting-out works for a wing building of a private hospital	7.8	5.4%

The following table sets out the top five projects with the highest revenue contribution to the Group for the year ended 31 December 2014:

Rank	Customer	Key scope of work	Amount of revenue recognised for the year ended 31 December 2014 <i>HK\$ million</i>	% of the Group's total revenue for the year ended 31 December 2014
1	Customer F <i>(Note)</i>	Renovation involving engineering services for building services systems and fitting-out works for a wing building of a private hospital	21.5	15.9%
2	Customer G	Engineering services for the electrical system of a residential development	15.9	11.7%
3	Customer B <i>(Note)</i>	Renovation involving engineering services for building services systems and fitting-out works for a wing building of a private hospital	10.0	7.4%
4	Tenants of a commercial building	Engineering service for the MVAC system for tenants in a commercial building	8.8	6.5%

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Rank	Customer	Key scope of work	Amount of revenue recognised for the year ended 31 December 2014 <i>HK\$ million</i>	% of the Group's total revenue for the year ended 31 December 2014
5	Customer E <i>(Note)</i>	Renovation involving engineering services for building services systems and fitting-out works for a wing building of a private hospital	7.7	5.7%

The following table sets out the top five projects with the highest revenue contribution to the Group for the three-month period ended 31 March 2015:

Rank	Customer	Key scope of work	Amount of revenue recognised for the three-month period ended 31 March 2015 <i>HK\$ million</i>	% of the Group's total revenue for the three-month period ended 31 March 2015
1	Customer G	Engineering services for the electrical system of a residential development	12.9	29.7%
2	Customer H	Engineering service for the MVAC system of a industrial building	12.7	29.3%
3	Customer F <i>(Note)</i>	Renovation involving engineering services for building services system and fitting-out works for a wing building of a private hospital	3.6	8.3%
4	Customer I	Engineering services for the plumbing and drainage system of a hotel	2.0	4.6%

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Rank	Customer	Key scope of work	Amount of revenue	% of the Group's
			recognised for the three-month period ended 31 March 2015	total revenue for the three-month period ended 31 March 2015
			<i>HK\$ million</i>	
5	Tenants of a commercial building	Engineering services for the MVAC system for tenants in a commercial building	1.7	3.9%

Note: These projects are all related to the private hospital in Hong Kong of Customer B, being the hospital operator.

PROJECT IN PROGRESS

As at the Latest Practicable Date, the Group had 22 building services engineering projects and 28 maintenance projects in progress (including projects with contract sum confirmed but not completed). The following table sets out a breakdown of such projects in progress by business segment:

	Number of projects in progress	Contract sum per project		Aggregated contract sum of all projects in progress (including amounts recognised and expected to be recognised as revenue)	Corresponding amount of revenue expected to be recognised after the Latest Practicable Date (<i>Note</i>)
		Maximum <i>HK\$'000</i>	Minimum <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Building services engineering projects	22	55,351	498	301,261	192,941
Maintenance projects	28	1,147	6	9,803	5,203
Total	50			311,064	198,144

Note: Amount of revenue expected to be recognised for each project in progress is calculated by subtracting the amount of revenue recognised from the project as at the Latest Practicable Date from the contract sum.

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The following table sets out a breakdown of such projects in progress by range of expected completion date:

	Number of projects in progress	
	Building services engineering projects	Maintenance projects
Expected to be completed:		
— from the Latest Practicable Date to 31 December 2015	[REDACTED]	[REDACTED]
— from 1 January 2016 to 31 December 2016	[REDACTED]	[REDACTED]
— from 1 January 2017 to 31 December 2017	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The following table sets out a breakdown of amount of revenue to be recognised from such projects in progress by the expected time of revenue recognition:

	Building services engineering projects	Maintenance projects
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount of revenue expected to be recognised:		
— from the Latest Practicable Date to 31 December 2015	[REDACTED]	[REDACTED]
— from 1 January 2016 to 31 December 2016	[REDACTED]	[REDACTED]
— from 1 January 2017 to 31 December 2017	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Recent contracts awarded

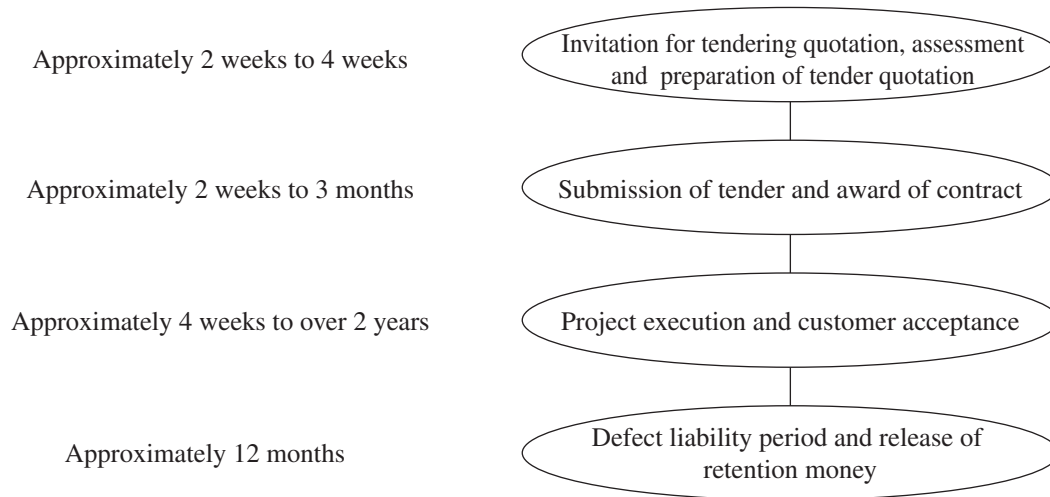
Subsequent to 31 March 2015 and up to the Latest Practicable Date, the Group has been awarded with three new contracts of building services engineering projects with an aggregate contract sum of approximately HK\$23.4 million, of which one new contract is of contract sum of HK\$5 million or less and two new contracts are of contract sum over HK\$5 million each. Such contracts awarded mainly relate to building services engineering works for a hotel, a private hospital and a shop. In addition, the Group has been awarded four new contracts of maintenance projects.

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OPERATING PROCEDURES

Building services engineering project

The following diagram summarises the principal steps of the workflow in a typical transaction in respect of the Group's building services engineering project:



The project duration is mainly determined by, apart from the time taken for submission of tender and award of contract, (i) the time specified by the customer which is in turn based on the size, complexity and technical features of the project; and (ii) the result of certification of work done and subsequent modifications required to obtain certification for payment.

Invitation for tendering/quotation

The Group is mainly invited by its customer to submit a tender, or is sometimes invited to provide a quotation, for a potential project. The Group is provided with the tender documents which contain the work specifications along with the invitation. For further details, please refer to the paragraph headed "Sales and marketing" in this section to this document.

Assessment and preparation of tender/quotation

Tendering and procurement department, usually a team of three engineers (including the tender manager), is responsible for the assessment on tender documents provided by potential customers and preparation of tender submission documents.

The Group's general manager, Mr. Leung Chi Man, and the tender manager weigh the profitability of the project, against the reasonableness of the proposed schedule and availability of the Group's resources to undertake such project. The management also take into consideration the contract size and potential subcontractor engagements.

Tendering and procurement department is responsible for preparing the tender submission documents, including but not limited to, the tender price with schedule of rates by consolidating the assessments and estimations of costs and materials derived by the tendering and procurement department in accordance with the requirements of the customer.

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The management will then decide, based on the assessment made by tendering and procurement department as well as the aforesaid factors considered, whether to make the tender submission.

The time allowed by the potential customer to prepare the tender responses is specified in the tender documents and varies from case to case. Generally, it takes about 2 weeks to 4 weeks from receipt of tender documents to submission of the tender response.

Submission of tender and award of contract

Based on the tender submitted by the Group, the customer may clarify the particulars of the tender or further negotiate with the Group on the commercial and technical terms.

The customers then generally enter into a formal engagement with the Group should the customer decide to award the contract to the Group. Such formal engagement may be in the form of letter of award/letter of intent which requires countersigning by the Group, or a contract entered into between the Group and the customer. The tender submitted by the Group, including the tender documents and post-tender correspondence (e.g. submission of work schedule, execution plan and resources deployment schedule), forms part of the contract entered into between the Group and the customer.

Project execution and customer acceptance

Once a contract is awarded, a project manager will be assigned for the project who will form a project team. The project manager will be responsible for the overall management of the project and the project team will be responsible for the project execution, which includes the assignment of direct labour, arrangement of subcontractors and sourcing of materials, which shall be carried out in accordance with the work plan and the programme as contained in the tender document. The project team is also responsible for ensuring the engineering works carried out comply with the customers' requirements.

The project team will prepare a budget plan, also known as cost sheet, for the project. Information on all actual costs incurred will be recorded in the Group's accounting system, and a variance analysis between the actual costs and the budget will be conducted and reviewed by the project manager on a monthly basis.

In executing a build-only project, the Group is required to supply and install the building services systems according to the designs and work plans as set out in the tender document. The Group may review the designs and work plans and offer advices to the customer as to the feasibility of the designs and for improving the design. In executing a design-and-build project, the Group is required to design the building services systems based on the requirements of the customers as set out in the tender documents, and supply and install such building services systems based on the designs of the Group.

In some building services engineering projects, the Group may be required to provide designs to certain building services systems, mainly MVAC systems. The customer may provide preliminary designs on the building services systems with specific requirements, and the Group will base on such preliminary designs and requirements to provide detailed designs of the systems that can meet the customer's requirements.

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The Group generally assigns its in-house workers to perform engineering works for air-conditioning system and electrical system, which usually include the installation and setting of control panels and ancillary systems, while the Group generally engages subcontractors to perform engineering works for fire services system, plumbing and drainage system and fitting out work that are part of the scope of works in certain projects, which the Directors consider such works require relatively less engineering know-how and expertise. Other ancillary works for a project such as the setting up of scaffold and loading works by crane are subcontracted to subcontractors.

The Group may enter into subcontracting agreement or place a job order with the subcontractors appointed governing the subcontracting arrangements. The Group maintains an approved list of subcontractors, for each categories of building services engineering, which is reviewed and updated from time to time. As at the Latest Practicable Date, the Group maintained a list of over 400 subcontractors. Further details on the use of subcontractors are set out in the section headed "Suppliers" in this section to this document.

The Group sources most of the equipment and components that are required in large quantity. All materials sourced will be stored at the work site. Quantity of materials to be stored at the site will be determined by the Group based on the work schedule and the storage area available to avoid disruption to site work.

Certain components, such as tiny metal and spare parts, are usually provided by the subcontractors directly without the involvement of the Group, the costs of which are included in the subcontracting charges. To ensure the quality of the materials sourced by both itself and the subcontractors, the Group's engineers are responsible for conducting quality control on materials used in its projects.

During the course of the execution of the site work, the project manager will carry out site inspection to monitor the work progress and review the quality of work on a regular basis to ensure the works performed are in conformity with the requirements as set out in the relevant contract. The project team will assign dedicated in-house staff to supervise the Group in-house workers and subcontractors who will report the project progress to the project team on an ongoing basis. The Group will make sure that the engineering services and the site works are carried out in compliance with the customers' requirements. Progress meetings will be held regularly between the Directors, senior management and the project team to discuss the project progress and issues of the project.

In general, customers of the Group have dedicated personnel to supervise the execution of site work and monitor the project progress. The project team of each of the Group and the customers will hold meeting from time to time to the follow up the progress of and issues the project.

The Group is generally required to submit working drawings to the customer in relation to the building services system units installed. The project team will also provide testing to the systems installed to ensure that the systems function properly and meet the customer's requirements.

Upon project completion, a certificate of practical completion is generally issued by the customer, certifying that the building services engineering works have been completed to the satisfaction of the customer. In certain projects, parties agree on practical completion by way of exchanging correspondence. Practical completion normally implies that the works as set out in the relevant contract have been duly completed.

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Based on the amount of work completed, the Group makes interim payment application to the customer which sets out the amount of work done and the corresponding value of such work done, which is normally on a monthly basis. Upon receiving the interim payment application, the customer will appoint an authorised person to or the customer's consultant (as the case may be) will examine the portion of work completed and would issue a payment certificate after the examination which normally takes around one to two weeks from the date of interim payment application. The Group will then proceed to billing the customer with the payment certificate received. Customers of the Group generally retain up to 10% of each interim payment as retention money, which is generally capped at 5% of the total contract sum, in accordance with the terms of the contract.

Defect liability period and release of retention money

Depending on the terms of the contract, a defect liability period which is generally 12 months from the date of the practical completion certificate is generally provided by the Group. During the defect liability period, the Group is responsible for, at its own expense, rectifying any defects in the building services systems supplied and installed by the Group as well as defective works provided by the Group. At the end of the defect liability period, a certificate of completion of making good defects is generally issued to officially release the duty of the Group in relation to such project.

Retention monies withheld by customers are generally released at the end of the defect liability period. In some cases, full amount of the retention monies are released at the end of the defect liability period.

Maintenance project

The Group is mainly invited by its customer to submit a tender, or is sometimes invited to provide a quotation, for a potential maintenance project. For further details, please refer to the paragraph headed "Sales and marketing" in this section to this document. The tendering/quotation process for maintenance project is similar to that of building services engineering project. The Group's maintenance team together with the tender manager are responsible for assessing the commercial aspect and estimating the human resources and materials required.

The time allowed by the potential customer to prepare the tender responses is specified in the tender documents and varies from case to case. Following any post-tender interviews and enquiries, the customer then enters into a formal contract with the Group. The tender submitted by the Group, including any tender addenda, forms part of the contract entered into between the Group and the customer.

Once a contract is awarded, an engineer from the maintenance team will be assigned as the person-in-charge for the project who will be assisted by other technical staff of the maintenance team. The engineer will be responsible for the overall management of the project. Over a fixed contract period, the Group will provide engineering services for the maintenance of existing building services systems of a property/a portfolio of properties pursuant to the terms of the contract. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair. The engineer will assign in-house workers to carry out the engineering works.

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The Group generally bills the customer pursuant to the terms of the contract, normally on a monthly basis.

LICENSES AND PERMITS

As at the Latest Practicable Date, the Group has the following registrations and licenses that are material to the business operations of the Group in Hong Kong:

Registration/licenses	Governing authority	Registrant/holder	Date of first registration/grant	Expiry date of current licenses/registration
Registered Electrical Contractor	EMSD	Lap Kei	23 February 1998	22 February 2016
		Wealth E & M	22 May 2009	21 May 2018
Registered Specialist Contractor (Ventilation Works)	Building Authority	Lap Kei	6 June 2002	22 July 2017
Registered Fire Service Installation Contractor — Classes 1 & 2	Fire Services Department	Lap Kei	28 August 2001	— (Note 1)
Approved Suppliers of Materials & Specialist Contractors for Public Works — Group I — Air-conditioning installation	Works Branch, Development Bureau	Lap Kei	15 August 2006	— (Notes 1 & 2)
Registered Minor Works Contractor (Classes I, II and III) (Note 3)	Buildings Department	Lap Kei	11 April 2012	11 April 2018

Notes:

- (1) The relevant registration/qualification is not subject to any periodic renewal.
- (2) Lap Kei is subject to certain criteria for retention of the qualification. Please refer to the section headed “Regulatory overview” in this document for the retention requirement.
- (3) Save for Type A (Alteration and addition works) minor works which Lap Kei is registered under Classes II and III only, Lap Kei is registered under Classes I, II and III for carrying out all other types of minor works, including Type B (Repair works) minor works, Type C (Works relating to signboards) minor works, Type D (Drainage works) minor works, Type E (Works relating to structures for amenities) minor works, Type F (Finishes works) minor works and Type G (Demolition works) minor works.

BUSINESS

In order for Lap Kei to apply for and maintain the registrations as a Registered Specialist Contractor (Ventilation Works) and Registered Minor Works Contractor (Classes I, II and III), Lap Kei must have at least one “authorised signatory” to act for it for the purpose of the Buildings Ordinance and one “technical director” to carry out certain duties including, among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the Buildings Ordinance. The Building Authority imposes certain requirements on the qualifications and experience of such authorised signatory and technical director. As for Registered Fire Service Installation Contractor — Class 1 & 2, Lap Kei must have at least a director, partner or employee who meet requirements on, among others, the qualifications specified in the Fire Service (Installation Contractors) Regulations. Further information in this connection is disclosed in the section headed “Regulatory overview — Contractor licensing and registration regime” in this document.

For Lap Kei, as at the Latest Practicable Date, the roles of authorised signatory for Registered Specialist Contractor (Ventilation Works) is taken up by Mr. Leung Chi Man, and the roles of authorised signatory for Registered Minor Works Contractor (Classes I, II and III) are taken up by Mr. Wong and Mr. Leung Chi Man.

The Directors, having considered the below factors, consider that the Group is not overly reliant on the staff currently assuming the roles of authorised signatory for its registrations:

- (i) as at the Latest Practicable Date, the Group has, in addition to Mr. Leung Chi Man, Mr. Lee Man Kei, being a member of the Group’s senior management, meets the relevant requirements imposed by the Building Authority and is eligible to become authorised signatory and technical director of Lap Kei for the Registered Specialist Contractor (Ventilation Works). The Group intends to submit applications to the Buildings Department for Mr. Lee Man Kei to take up the roles of authorised signatory and technical director of Lap Kei for the Registered Specialist Contractor (Ventilation Works) before listing; and
- (ii) the Group may hire a replacement for the existing authorised signatory as there are candidates in the job market whose experience and qualifications are fit for the position of authorised signatory.

To ensure that the Group is able to timely obtain and maintain all necessary registrations/licenses for its operations in Hong Kong, Mr. Wong, an executive Director, is responsible for keeping track of the validity periods of the registrations/licenses maintained and/or held by the Group and arranging renewal when necessary in a timely manner. The Group has successfully renewed its aforementioned registrations/licenses since its first registration as set out in the table above. The legal advisers to the Company as to Hong Kong law advised that they does not foresee any material legal impediment in the renewal of the aforesaid registrations/licences.

BUSINESS

CUSTOMERS

Characteristics of the Group's customers

The Group's customers mainly include main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and landlords, or occasionally property developers (or its consultants). The Directors believe that customers may choose to engage the Group for its capability to provide one-stop integrated services from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance.

During the Track Record Period, the Group solely served customers from the private sector in Hong Kong. Customers from the private sector accounted for all of the total revenue for each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015.

Top customers

For each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015, the percentage of the total revenue attributable to the largest customer amounted to approximately 16.1%, 15.9% and 29.7% respectively, while the percentage of the total revenue attributable to the five largest customers combined amounted to approximately 51.0%, 47.1% and 75.0% respectively.

Set out below is a breakdown of the Group's revenue by major customers:

For the year ended 31 December 2013:

Rank	Customer	Revenue <i>HK\$'000</i>	As % of total revenue %
1	Customer A	23,444	16.1
2	Customer B	20,513	14.1
3	Customer C	11,693	8.0
4	Customer D	10,848	7.5
5	Customer E (<i>Note</i>)	7,755	5.3
	Five largest customers combined	74,253	51.0
	All other customers	71,252	49.0
	Total revenue	145,505	100.0

BUSINESS

For the year ended 31 December 2014:

Rank	Customer	Revenue <i>HK\$'000</i>	As % of total revenue %
1	Customer F (<i>Note</i>)	21,492	15.9
2	Customer G	15,985	11.8
3	Customer B	11,318	8.4
4	Customer E (<i>Note</i>)	7,669	5.7
5	Customer H	<u>7,179</u>	<u>5.3</u>
	Five largest customers combined	63,643	47.1
	All other customers	<u>71,850</u>	<u>52.9</u>
	Total revenue	<u><u>135,493</u></u>	<u><u>100.0</u></u>

For the three-month period ended 31 March 2015:

Rank	Customer	Revenue <i>HK\$'000</i>	As % of total revenue %
1	Customer G	12,908	29.7
2	Customer H	12,661	29.2
3	Customer F (<i>Note</i>)	3,610	8.3
4	Customer I	2,016	4.6
5	Customer J	<u>1,379</u>	<u>3.2</u>
	Five largest customers combined	32,574	75.0
	All other customers	<u>10,823</u>	<u>25.0</u>
	Total revenue	<u><u>43,397</u></u>	<u><u>100.0</u></u>

Note: Certain contracts with Customer E and Customer F are related to the private hospital in Hong Kong of Customer B, being the hospital operator.

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 in any of the five largest customers of the Group during the Track Record Period.

BUSINESS

During the Track Record Period, to the best knowledge and belief of the Directors, one of the Group’s customers (“**Customer K**”) was also one of its subcontractors during the Track Record Period. Particular financial details of the business relationship during the Track Record Period with this customer are as follows:

	For the year ended		For the three-
	31 December		month period
	2013	2014	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	31 March
			2015
			<i>HK\$'000</i>
As customer			
Revenue during the relevant year/period	5,059	1,776	864
Gross profit	1,404	847	218
Gross profit margin	27.8%	47.7%	25.2%
As subcontractor			
Subcontracting charges during the relevant year/period	4,691	661	—

To the best of the Directors’ knowledge and belief, Customer K is an Independent Third Party and is focused on alteration and addition works in Hong Kong. During the Track Record Period, Customer K, as main contractor, mainly subcontracted engineering works for MVAC systems to the Group. During the Track Record Period, in one of the Group’s building services engineering project, the Group, as main contractor, subcontracted fitting-out works to Customer K. Customer K has not been both the customer and supplier of the Group in the same project.

The Group engaged Customer K to perform fitting-out works after considering the Customer K’s expertise in such area and availability of the Group’s labour resources. On the other hand, the Directors considered that Customer K engaged the Group to perform engineering work for MVAC systems due to various factors, including the Group’s possession of certain licenses and registrations, technical knowhow, and experiences in handling projects of similar nature and scale.

The Directors confirmed that the terms of the specific subcontracting arrangement were negotiated on an arm’s length basis and the Group did not have any material disputes with Customer K in the transactions during the Track Record Period.

Customers concentration

To the best knowledge and belief of the Directors, none of the Group’s five largest customers of the Group during the Track Record Period is also a supplier of the Group.

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The Group's top five customers accounted for approximately 51.0%, 47.1% and 75.0% of its total revenue for the two years ended 31 December 2013 and 2014 and for the three-month period ended 31 March 2015 respectively. Despite the aforesaid figures exhibit during the Track Record Period exhibit the Group's certain degree of customer concentration, the Directors consider that the Group is not reliant on any single customer because:

- (i) Among the top five customers, only 2 out of 5 and 3 out of 5 such customers were the Group's top five customers for both of the two years ended 31 December 2014 or both the year ended 31 December 2014 and the three-month period ended 31 March 2015, respectively. Also, the Group has had business relationship with most of such top customers one year to over 10 years which the Directors believe implying that the Group is one of the selected subcontractors on such customers' approved lists of subcontractors and the Group being invited to tender or quote from time to time; and
- (ii) During the second half of 2014 and the first quarter of 2015, the new projects confirmed with customers other than the top five customers of the Group during the Track Record Period with an aggregate contract sum of over HK\$120 million, representing that a considerable portion of the Group's income source is derived from non-top five customers of the Group.

The table below sets forth the background information of the Group's top customers mentioned in the above table:

Customer	Services provided by the Group	Principal business	Location	Years of business relationship
Customer A	Provision of engineering services for MVAC system	Main contractor	Hong Kong	Over 2 years
Customer B	Provision of engineering services for building services system and fitting-out work	Operator of a private hospital	Hong Kong	Over 6 years
Customer C	Provision of engineering services for the plumbing and drainage system	Main contractor	Hong Kong	Over 1 year
Customer D	Provision of engineering services for MVAC system	Main contractor	Hong Kong	Over 3 years
Customer E	Provision of engineering services for building services system and fitting-out works	Main contractor	Hong Kong	Over 2 years
Customer F	Provision of engineering services for electricity system and fitting-out works	Main contractor	Hong Kong	Over 2 years
Customer G	Provision of engineering services for building services system	Property investment	Hong Kong	Over 1 year

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Customer	Services provided by the Group	Principal business	Location	Years of business relationship
Customer H	Provision of engineering services for MVAC system	Main contractor	Hong Kong	Over 4 years
Customer I	Provision of engineering services for the plumbing and drainage system	Operator of a hotel	Hong Kong	Less than 1 year
Customer J	Provision of engineering services for MVAC system	Supplier of electricity	Hong Kong	Over 10 years

Certain contracts with Customer E and Customer F during the Track Record Period are related to the private hospital in Hong Kong of Customer B, being the hospital operator. For the two years ended 31 December 2013 and 2014 and for the three-month period ended 31 March 2015, the revenue derived from building services engineering projects in relation to private hospital of Customer B amounted to approximately HK\$27.9 million, HK\$39.7 million and HK\$3.6 million, representing approximately 19.2%, 29.2% and 8.3% of the total revenue for the respective year/period.

Pricing strategies

Pricing for either building services engineering project or maintenance project is determined on a case-by-case basis taking into account various factors as discussed below:

For the pricing of a building services engineering project, factors considered include (i) the complexity of site works involved; (ii) the specifications of the project; (iii) the Group's capacity; (iv) the estimated project cost (which mainly includes the direct labour cost, subcontracting charges and material costs based on the preliminary quotations from the Group's suppliers and subcontractors); (v) historical fee we received for similar projects; and (vi) the current fee level in the market and competitive conditions at the contract negotiation stage.

For the pricing of a maintenance project, factors consider include (i) the Group's capacity; (ii) historical fee we received for similar projects; and (iii) the current fee level in the market and competitive conditions at the contract negotiation stage.

Building services engineering projects are in general labour intensive, and labour cost is one of the major components of the project costs. Most of the pricing of the Group's building services engineering services were fixed as set out in the terms of the contract. Any material deviation in the actual time and resources spent from initial estimation may result in significant cost overruns which may in turn adversely affect the financial results of the Group.

The Group has the following measures to manage the risk of cost overruns:

- (i) A detailed estimate of time and costs expected to be incurred in a project is prepared by the engineers of the Group and being reviewed by the management before submitting a quotation to customer;

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- (ii) A fixed scope of work is to be agreed with customers, based on which the Group's fee quotation is prepared. Customers' requests for variation in the scope of work are to be accepted on the basis that a variation order is agreed upon. The Group's engineers will prepare budgets with expected time and costs on the requests for material variation orders and obtain the approvals from the Group's project managers; and
- (iii) The procurement and tendering department will obtain preliminary quotations from potential subcontractors and suppliers in respect of the engineering design in order to ascertain the costs expected to be incurred, thereby forming the basis for the fee quotation to the Group's customers.

General terms of engagement with customers

The following paragraphs set forth the general terms of engagement with customers in respect of each of the building services engineering project and maintenance project.

Building services engineering project

(i) Nature and scope of work

The nature of work specifies the building services systems covered, the types of engineering works to be carried out and the scope of work specifies the areas/facilities that require such engineering works. The working procedures set out a list of works to be performed on each of the subject areas/facilities in details.

(ii) Duration of work

The duration of work sets out the time allowed to carry out the site work and the tentative date for possession, also known as the date on which the site with all site works completed is handed back by the Group to the customer, may also be stated.

(iii) Payment terms

The total contract sum awarded is clearly stated which is generally a fixed amount. Based on the amount of work completed, the Group makes progress payment application to the customer which sets out the amount of work done and the corresponding value of such work done, which is normally on a monthly basis. The application is subject to examination by the customer's authorised person or its consultant and the issuing of a certification based on such examination approving the amount of works eligible for payment under the application. The examination for each application generally takes around 1 week to 2 weeks. The Group then proceeds to bill the customer with the supporting of the certificate. Settlement of payment is usually made by cheque or bank Transfer.

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Some engagements of building services engineering projects during the Track Record Period also contained the following terms:

(iv) Retention monies

A certain percentage of each fee payment made to the Group, usually at the rate of 10%, may be withheld by some customers as retention money and will be released at the end of the defect liability period. As at 31 December 2013 and 2014 and as at 31 March 2015, retention monies receivable were approximately HK\$11.5 million, HK\$9.2 million and HK\$10.8 million respectively.

(v) Defect liability period

A defect liability period is generally 12 months from the date of the practical completion certificate. During the defect liability period, the Group is responsible for, at its own expense, rectifying any defects in the building services systems supplied and installed by the Group as well as defective works provided by the Group.

(vi) Surety bonds

The Group may be required to provide a surety bond issued by a bank or insurance company in favour of them. During the Track Record Period, the required amounts of surety bonds are generally 10% of the respective contract sum. The amount is usually released back to the contractor after project completion. The Group confirmed that no bond call action was taken by its customers during the Track Record Period.

As at 31 December 2013 and 2014 and as at 31 March 2015, the amount of surety bonds provided by the Group were approximately HK\$5.4 million, HK\$17.6 million and HK\$8.7 million respectively.

(vii) Liquidated damage

Some of the contracts include a liquidated damage clause that in the event the Group fails to complete the work set out in the contracts within the allowed timeframe while not approved for any extension of time and/or cause unnecessary delay to project completion that result in liquidated damages imposed on the customer, as main contractor, by the employers of the project, the Group shall compensate the customer for some or all of the incurred liquidated damages, based on the rate as set out in the contract. The Directors confirmed that there was no material liquidated damage paid by the Group during the Track Record Period.

Maintenance project

(i) Scope of work

The scope of work specifies the types of maintenance services required and the building services systems covered by such services.

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(ii) Duration of work

The duration of work sets out the contract period during which the maintenance services shall be carried out at regular intervals.

(iii) Payment terms

The total contract sum awarded is clearly stated which is generally a fixed amount. The Group is generally entitled to bill the customer in accordance with specific timeframe which is generally on a monthly basis, and the customer generally settles the payment, either by cheque or bank transfer.

Credit policy

In general, the Group allows a credit period of 30 days to its customers. Overdue payments (generally meaning trade receivables that remain outstanding for more than 30 days after the date of invoice) are monitored continuously and evaluated on a case-by-case basis with respect to the appropriate follow-up actions to be taken, taking into consideration the customer's normal payment practice and payment history, the Group's relationship with the customer and the then general economic environment. During the Track Record Period, follow-up actions by the Group for recovering long-overdue payments included issue of payment reminders and active communications with the customers.

As at the Latest Practicable Date, all of the Group's customers were located in Hong Kong and all of the Group's sales were denominated in HK dollars.

For the two years ended 31 December 2013 and 2014 and for the three-month period ended 31 March 2015, the average trade receivable turnover days were approximately 52 days, 75 days and 64 days respectively.

Seasonality

The Directors believe that the industry in which the Group operates does not exhibit any significant seasonality.

SUPPLIERS AND SUBCONTRACTORS

Characteristics of the Group's suppliers and subcontractors

During the Track Record Period, suppliers of goods and services which were specific to the business of the Group and were required on a regular basis to enable the Group to continue to carry on its business included:

- (i) subcontractors engaged by the Group to perform the site works;
- (ii) material and equipment suppliers to supply materials and equipment used in the site works;
and
- (iii) suppliers of other miscellaneous goods and services required for its business operations.

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The following table sets forth a breakdown of the Group’s total purchase from its suppliers and subcontractors (before any effect of, net movement of amounts due from (to) customers for contract work) during the Track Record Period by nature:

	For the year ended 31 December				For the three-month period ended 31 March			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting charges	45,044	52.1	49,167	56.9	6,259	39.8	9,922	43.6
Material and equipment costs	37,889	43.9	33,149	38.4	8,716	55.5	12,021	52.8
Other	3,453	4.0	4,087	4.7	739	4.7	803	3.6
Total	86,386	100.0	86,403	100.0	15,714	100.0	22,746	100.0

Please refer to the section “Financial information — Principal components of results of operations — Cost of sales” in this document for a discussion of the fluctuation in purchases from suppliers and subcontractors during the Track Record Period as shown in the above table as well as relevant sensitivity analyses in this connection.

Top suppliers

For each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015, the percentage of the total purchases attributable to the largest supplier amounted to approximately 48.8%, 18.0% and 19.8% respectively, while the percentage of the total purchases attributable to the five largest suppliers combined amounted to approximately 64.9%, 50.7% and 52.3% respectively. Accordingly, the Directors consider that during the Track Record Period, the Group has reduced its reliance on any single supplier since the commencement of the Track Record Period.

Set out below is a breakdown of the Group’s purchases by major suppliers:

For the year ended 31 December 2013:

Rank	Supplier	Purchase <i>HK\$'000</i>	As % of total purchases %
1	Supplier A	18,480	48.8
2	Supplier B	2,391	6.3
3	Supplier C	1,519	4.0
4	Supplier D	1,203	3.2
5	Supplier E	978	2.6
	Five largest suppliers combined	24,571	64.9
	All other suppliers	13,318	35.1
	Total purchases from suppliers	37,889	100.0

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For the year ended 31 December 2014:

Rank	Supplier	Purchase HK\$'000	As % of total purchases %
1	Supplier A	5,979	18.0
2	Supplier B	4,792	14.5
3	Supplier F	3,595	10.8
4	Supplier G	1,251	3.8
5	Supplier H	<u>1,181</u>	<u>3.6</u>
Five largest suppliers combined		16,798	50.7
All other suppliers		<u>16,351</u>	<u>49.3</u>
Total purchases from suppliers		<u><u>33,149</u></u>	<u><u>100.0</u></u>

For the three-month period ended 31 March 2015:

Rank	Supplier	Purchase HK\$'000	As % of total purchases %
1	Supplier B	2,386	19.8
2	Supplier I	1,550	12.9
3	Supplier H	934	7.8
4	Supplier J	740	6.2
5	Supplier K	<u>681</u>	<u>5.6</u>
Five largest suppliers combined		6,291	52.3
All other suppliers		<u>5,730</u>	<u>47.7</u>
Total purchases from suppliers		<u><u>12,021</u></u>	<u><u>100.0</u></u>

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 in any of the five largest suppliers of the Group during the Track Record Period.

BUSINESS

The table below sets forth the background information of the Group’s top suppliers mentioned in the above table:

Supplier	Goods provided to the Group	Principal business	Location	Year of business relationship
Supplier A	Provision of materials and equipment for MVAC system	Engineering & Trading	Hong Kong	Over 10 years
Supplier B	Provision of materials and equipment for MVAC system	Air conditioning refrigeration	Hong Kong	Over 9 years
Supplier C	Provision of materials and equipment for MVAC system	Air conditioning refrigeration	Hong Kong	Over 5 years
Supplier D	Provision of materials and equipment for MVAC system	Air conditioning refrigeration	Hong Kong	Over 10 years
Supplier E	Provision of materials and equipment for MVAC system	Air conditioning refrigeration	Hong Kong	Over 10 years
Supplier F	Provision of materials and equipment for MVAC system	Air conditioning refrigeration	Hong Kong	Over 9 years
Supplier G	Provision of materials for plumbing and drainage system	Provision of water pump system	Hong Kong	Over 8 years
Supplier H	Provision of materials and equipment for MVAC system	Air conditioning refrigeration	Hong Kong	Over 3 years
Supplier I	Provision of materials and equipment for electrical system	Provision of electrical system	Hong Kong	Over 9 years
Supplier J	Provision of materials and equipment for electrical system	Provision of electrical system	Hong Kong	Less than 1 year

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Supplier	Goods provided to the Group	Principal business	Location	Year of business relationship
Supplier K	Provision of materials and equipment for electrical system	Provision of electrical system	Hong Kong	Less than 1 year

Top subcontractors

For each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015, the percentage of the total subcontracting charges attributable to the largest subcontractor amounted to approximately 12.8%, 17.5% and 22.5% respectively, while the percentage of the total purchases attributable to the five largest subcontractors combined amounted to approximately 49.6%, 53.8% and 52.4% respectively. Accordingly, the Directors consider that during the Track Record Period, the Group was not dependent on any single subcontractor.

Set out below is a breakdown of the Group's subcontracting charges by major subcontractors:

For the year ended 31 December 2013:

Rank	Subcontractor	Subcontracting charges HK\$'000	As % of total subcontracting charges %
1	Subcontractor A	5,772	12.8
2	Subcontractor B	4,991	11.1
3	Subcontractor C	4,691	10.4
4	Kin Kwan	3,607	8.0
5	Subcontractor D	<u>3,293</u>	<u>7.3</u>
	Five largest subcontractors combined	22,354	49.6
	All other subcontractors	<u>22,690</u>	<u>50.4</u>
	Total subcontracting charges	<u><u>45,044</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 December 2014:

Rank	Subcontractor	Subcontracting charges HK\$'000	As % of total subcontracting charges %
1	Subcontractor B	8,624	17.5
2	Subcontractor A	7,682	15.6
3	Kin Kwan	5,399	11.0
4	Subcontractor E	2,435	5.0
5	Subcontractor F	2,331	4.7
Five largest subcontractors combined		26,471	53.8
All other subcontractors		22,696	46.2
Total subcontracting charges		<u>49,167</u>	<u>100.0</u>

For the three-month period ended 31 March 2015:

Rank	Subcontractor	Subcontracting charges HK\$'000	As % of total subcontracting charges %
1	Subcontractor A	2,232	22.5
2	Subcontractor G	1,114	11.2
3	Subcontractor B	867	8.7
4	Subcontractor H	511	5.2
5	Subcontractor I	477	4.8
Five largest subcontractors combined		5,201	52.4
All other subcontractors		4,721	47.6
Total subcontracting charges		<u>9,922</u>	<u>100.0</u>

Kin Kwan is sole proprietorship owned by Mr. Wong Kang Hong, being the younger brother of Mr. Wong, the executive Director and a Controlling Shareholder. Accordingly, Mr. Wong Kang Hong (and thus Mr. Wong Kang Hong trading as Kin Kwan) is a connected person of the Company under Rule 20.10(2)(a) of the GEM Listing Rules. For details of the transactions between the Group and Kin Kwan during the Track Record Period, please refer to the section headed “Connected transactions — Non-exempt continuing connected transactions” in this document.

Save as disclosed above, none of the Directors, their 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 in any of the five largest subcontractors of the Group during the Track Record Period.

BUSINESS

The table below sets forth the background information of the Group’s top subcontractors mentioned in the above table:

Subcontractor	Services provided to the Group	Principal business	Location	Years of business relationship
Subcontractor A <i>(Note)</i>	Installation of plumbing and drainage system	Installation of plumbing and drainage system	Hong Kong	Over 5 years
Subcontractor B	Installation of electrical system	Electrical engineering	Hong Kong	Over 7 years
Subcontractor C	Provision of fitting out services	Provision of interior fitting-out and renovation	Hong Kong	Over 6 years
Kin Kwan	Provision of fitting out services	Provision of interior fitting-out and renovation	Hong Kong	Over 3 years
Subcontractor D	Installation of electrical system	Electrical engineering	Hong Kong	Over 10 years
Subcontractor E	Installation of MVAC system	Installation of MVAC system	Hong Kong	Over 1 year
Subcontractor F	Installation of electrical system	Electrical engineering	Hong Kong	Over 4 years
Subcontractor G	Installation of MVAC system	Installation of MVAC system	Hong Kong	Over 9 years
Subcontractor H	Provision of demolition & recycling services	Provision of demolition & recycling services	Hong Kong	Over 4 years
Subcontractor I	Installation of MVAC system	Installation of MVAC system	Hong Kong	Over 6 years

Note: Subcontractor A comprises two business entities which are owned by the same business waiver.

The Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or assigning subcontractors during the Track Record Period. The Directors confirmed that the Group did not have any significant disputes with any of its top five suppliers and subcontractors during the Track Record Period.

BUSINESS

During the Track Record Period, most purchases were settled in Hong Kong dollars and most of them were settled by cheques. Most of the Group's purchases are settled on a monthly basis and in arrears. Credit terms offered by the Group's suppliers and subcontractors range from due on presentation of invoice up to a period generally not less than 30 days after delivery of goods or performance of services.

General terms of engagement with suppliers and subcontractors

Material purchase agreements with material suppliers

The Group does not enter into long term agreements with its material suppliers and will only make purchase orders on a project basis.

Subcontracting agreements with subcontractors

The Group does not enter into long term agreements with its subcontractors and will only enter into subcontracting agreement or place a job order with subcontractors on a project basis. The subcontracting agreement generally contains terms including, among others, scope of work, duration of work, contract sum, payment terms, defect liability period and retention monies. Job orders placed by the Group with subcontractors generally set out the schedule of rates, scope of work and payment terms.

Criteria for selecting subcontractors

The Group maintains an internal list of approved subcontractors, for each categories of building services engineering, where the list is updated on a continuous basis. The Group carefully evaluates subcontractors taking into account of their among other things, quality of works, site management and planning of works, time management, financial strength and stability, environmental awareness, and cooperativeness with third parties. While engaging subcontractors, the Group generally selects the most suitable subcontractor from the approved list based on their relevant skillsets and experience, subject to their availability and fee quotations.

Control on subcontractors

The Group sends its own personnel to the work sites to supervise the works performed by its subcontractors, and also to review the subcontractors' works on an on-going basis to ensure that the subcontractors' works conform to the designs. Such supervision and review procedures include, among others:

- issue construction drawings to the subcontractors, and explain to and discuss with the subcontractors on the details of the works before commencement of site works and during regular site meetings to enable them to understand and comply with the customer's requirements;
- perform regular on-site inspection by the project manager and site supervisor to ensure compliance by the subcontractors with the customer's requirements; and
- debrief the subcontractors on a weekly basis and hold weekly meeting by the engineering team to review the work progress.

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In addition, the Group supplies its subcontractors with its safety manual on workplace safety and organises relevant safety training. The in-house engineers on-site explains the Group’s measures to subcontractors before commencement of works and monitor their compliance with such measures on an on-going basis at work sites. For details of such measures, please refer to the section “Business — Occupational health and safety” in this document.

Materials and equipment

The major equipment and components used are air-conditioning units, such as chiller plant and pipe, duct and hose which are mainly sourced from suppliers in Hong Kong, which may in turn source their products from overseas. Depending on the requirements of the project, the Group bulk purchases most of the equipment and components that are required in large quantity, while components, such as pipe and spare parts, are provided by the subcontractors directly without the involvement of the Group.

Storage of sufficient quantity of materials at the site will be determined by the Group based on the work schedule, and all materials sourced will be stored at the work site where the building services engineering works are carried out for direct utilisation.

HEDGING

During the Track Record Period, most of the Group’s transactions were denominated in HK\$ and therefore, the Group does not engage in any hedging activity.

SALES AND MARKETING

During the Track Record Period, all of the Group’s new businesses were obtained through direct invitation for tender and quotation by customers, which is considered by the Directors to be attributable to its track records, relevant experiences and professional reputation in the building services engineering industry in Hong Kong.

The Group maintains relationship with its customers and attracts them to provide the Group with new businesses mainly by ensuring the quality of its services, maintaining its professional image and reputation in the industry, and actively maintaining rapport with existing and potential customers from time to time.

During the Track Record Period, the success rates of attaining engagement for projects tendered and quoted were as follows:

	For the year ended		For the three-month period
	31 December		ended
	2013	2014	31 March
			2015
Success rate (<i>Note</i>)	8.9%	6.9%	5.7%

Note: Success rate is calculated as to the number of tender submission/quotation with engagement confirmed during the year/period divided by the number of tender submission/quotation to customers during the respective year/period.

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The management of the Group generally considers the factors set out in the internal policy, such as the profitability, the proposed schedule and availability of resources to undertake such project, when assessing and preparing a tender submission. For tendering of projects which the general manager together with the tendering team assessed to be of relatively larger scale, higher complexity or with tight completion schedule, and therefore of higher risk, the Group would tender at a less competitive price to avoid cost overrun and aim to maintain the gross profit margin of such potential projects, in which case the Group may not be competitive enough to be awarded with the contract leading to the low success rate during the Track Record Period. Nevertheless, while the number of projects with engagement confirmed decreased from 9 for the three-month period ended 31 March 2014 to 4 for the three-month period ended 31 March 2015, the average contract sum per project with engagement confirmed for both building services engineering projects and maintenance projects were higher for the three-month period ended 31 March 2015 as compared with that for the two years ended 31 December 2013 and 2014 and for the three-month period ended 31 March 2014. For further details, please refer to the section headed “Business — Projects undertaken during the Track Record Period” above.

QUALITY CONTROL

Quality control on design and build projects

Lap Kei, being one of the Group’s operating subsidiaries carrying out the engineering business, holds the following quality management certifications:

Certification	Original Certification Date	Expiry Date
ISO 9001:2008	25 August 1998	16 June 2018

The business of the Group is operated under a set of procedures that complies with the ISO 9001:2008 quality standards. Each project has a project manager who is responsible for the project’s overall quality assurance.

Personnel responsible for the Group’s overall quality assurance include Mr. Wong, an executive Director, and Mr. Leung Chi Man, the Group’s general manager. For details of their biographical information, please refer to the section headed “Directors and senior management” in this document.

For the Group’s quality control measures over the Group’s subcontractors, please refer to the section “Business — Subcontractors — Control on subcontractors” above.

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During the Track Record Period and up to the Latest Practicable Date, the Group did not receive any material complaint or request for any kind of material compensation from the Group's customers due to quality issue in relation to services provided by the Group or works performed by its subcontractors.

OCCUPATIONAL HEALTH AND SAFETY

Safety management system

The Group's occupational health and safety measures that are required to be observed by employees of the Group and its subcontractors on site cover area include, among others, lifting appliances and gear, working at height, scaffolding, evacuation, use of electricity, handling of machinery, use of hand tools, fire safety, handling and storage of dangerous substances, etc. Depending on work activity on site, the Group provides appropriate personal protective equipment its workers on site.

The Group also provides its staff and site personnel with occupational health and safety trainings on general safety, job specific safety and safety management.

Procedures for handling employee injuries and accidents at work

Injuries exist in the building industry due to the nature of work and the potentially hazardous environment of work sites and therefore, the Group may be subject to claims from employees for work-related injuries from time to time.

Pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the typical policies with the insurance companies, accidents and injuries involving employees of the Group and its subcontractors during their course of employment are required to be reported to the Department of Labour of the Government and/or the customer and/or the insurance company in accordance with the procedures required by law or the relevant insurance policies. The Group also maintain an internal record of accidents.

The Group has a proper system in place for recording and handling accidents and injuries of the workers (including employee of the Group's subcontractors) during the Track Record Period and up to the Latest Practicable Date. The Group's administrative department is responsible for handling accidents and injuries of the workers occurred in the work sites. To ensure that any of such incidents will be properly recorded and handled, the Group has established a system that covers the areas including (i) the recording of the accidents and injuries; and (ii) the communications between the injured person and insurance company. It is the Group's policy to have a master file maintained by the human resources department for recording the information in relation to all accidents and injuries of employees, including name of injured person and details of the accidents and injuries. To protect the benefit of related employees and the Group, it is also the Group's policy for administrative department to immediately report any possible claim to the insurance company. In the cases of serious accidents and injuries of

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employees, the Group may seek legal advice immediately should our senior management considers appropriate and necessary. The Group's major procedures of recording and handling accidents and injuries of the employees are as follows:

- (1) the injured staff should inform the site supervisor of the details of the accident as soon as possible, including venue, time, cause of injury, etc.;
- (2) the site supervisor shall perform site visit immediately to understand and to gather all relevant information of the accident. The site supervisor should prepare an incident report detailing the case and file the same with the Group's administrative department within 5 days of the accident. The Group's administrative department shall maintain a master file recording all details of injury cases reported;
- (3) the Group's administrative department shall report details of the case to the injury management agent, appointed by the Group as injury management coordinator for employees of the Group, and the Group's insurer as soon as possible. The injury management agent shall communicate with the injured person to understand the nature of the accident and shall review and comment on the Group's report to be sent to the Labour Department according to their findings. The Group is required to report work injury case to the Labour Department within 14 days (7 days for fatal cases) after the accident come to the Group's knowledge;
- (4) to speed up the settlement of work injury case, the Group may make use of paper medical clearance to facilitate the Labour Department to make assessment of compensation. The Group will file its communications with the Labour Department to its insurer;
- (5) the Group will pay the agreed compensation to the injured staff directly and the related cost and expenses in relation to work injury will be reimbursed by its insurer;
- (6) in the event that a settlement could not be reached between the Group and the injured staff with the assistance of the Labour Department, the case shall be determined by the court.

Analysis of accident rate

Set out below is the comparison between the Group's accident rate and the accident rate in the construction industry in Hong Kong during the Track Record Period:

	For the year ended		For the three-
	31 December		month period
	2013	2014	ended 31
			March
			2015
Accident rate of the Group	5.7	4.8	0
Accident rate in the construction industry in Hong Kong	40.8	Not yet available	Not yet available

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The accident rate in the construction industry is based on the Occupational Safety and Health Statistics Bulletin Issue No. 14 issued by the Occupational Safety and Health Branch, Labour Department of Hong Kong in July 2014, which represents the accident rate per 1,000 workers of the construction industry in Hong Kong in 2013. The statistic bulletin for 2014 has not been issued as at the Latest Practicable Date. The accident rate of the Group is calculated as to the number of accidents during the year divided by the estimated number of in-house workers of the Group during the year, and then multiplies by 1,000. Such estimated number of in-house workers of the Group during the year is based on estimation on monthly in-house workers deployed by the Group. Based on the above analysis, the accident rate of the Group is lower than that of the construction industry in 2013.

ENVIRONMENTAL COMPLIANCE

The Group's operations at work 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, water pollution control and waste disposal control. For details of the regulatory requirements, please refer to the section headed "Regulatory overview" in this document.

The Group has established measures and work procedures governing environmental protection compliance that are required to be followed by its employees and subcontractors. Such measures and procedures include, among others:

Area	Measures
Air pollution control	<ul style="list-style-type: none">(i) Erection of hoarding along the site boundary with effective dust screens, sheeting or netting if necessary(ii) Watering whenever necessary for any dusty materials before loading and unloading
Noise control	<ul style="list-style-type: none">(i) Idle equipment to be turned off as soon as possible(ii) Installation of noise barriers or enclosures if appropriate(iii) The permitted hours for operation at project site is from 7:00 a.m. to 7:00 p.m. Monday to Saturday. Works are not permitted on general public holidays
Water pollution control	<ul style="list-style-type: none">(i) Identification of wastewater discharge points before commencement of works
Waste disposal control	<ul style="list-style-type: none">(i) Labeled bins to be provided to allow segregation of recyclable materials whenever possible(ii) Construction waste materials to be segregated into different categories such as reusable construction and demolition materials for re-use on site, and other waste for transportation to landfills

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The Directors confirm that costs in relation to environmental compliance are usually borne by its customers at the work sites. During the Track Record Period, the Group did not incur any material amount in relation to compliance with applicable environmental requirements. The Group estimates that its annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with its scale of operation.

During the Track Record Period and up to the Latest Practicable Date, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group.

INSURANCE

During the Track Record Period, the Group secured insurance policies as set out in the following paragraphs. During the Track Record Period and up to the Latest Practicable Date, claims in an aggregate amount of approximately HK\$0.8 million have been made in respect of its insurance policies. The Directors consider that the existing insurance coverage is adequate and consistent with industry norm having regard to the Group's current operations and the prevailing industry practice.

Employees' compensation insurance

Pursuant to Section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers 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). The Group has taken out insurance policies in accordance with such requirement.

According to section 24 of the Employees' Compensation Ordinance, the Group and its customers as the principal contractors are both liable to pay compensation to any injured employees of the subcontractor who are injured in the course of employment to the subcontractor. During the Track Record Period, some of the Group's customers had taken out employees' compensation insurance policies pursuant to section 24 of the Employees' Compensation Ordinance covering the liabilities of it and its subcontractors. In such cases, the Group's subcontractors' liabilities are insured by the customer's insurance policy, which is also reflected in the contracts entered into between the Group and its customers. In other cases, the Group had taken out employees' compensation insurance policies to cover the subcontractors' employees.

Nevertheless, any compensation paid to the injured employees under the Employees' Compensation Ordinance would not exempt the Group's liabilities 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 is three years from the date of the industrial accident. On the other hand, pursuant to section 26 of the Employees' Compensation Ordinance, the compensation paid to these injured workers under common law will be reduced by the compensation already paid to the injured employee under the Employees' Compensation Ordinance.

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Contractors’ all risks insurance

During the Track Record Period, some of the Group’s customers had taken out contractors’ all risk insurance policies covering the Group’s liabilities arising from potential damage to the buildings or structures under the Group’s subcontracted works as well as potential bodily injury to third parties or damage to third parties’ properties as a result of the performance of the Group’s subcontracted works. The Group had also taken out contractors’ all risk insurance policies where the Group’s customers had not done so or if the Group considered the coverage of the insurance policies taken out by its customers might not be adequate.

Insurance on Mr. Wong

Lap Kei entered into a life insurance policy on Mr. Wong. Under the policy, the policy holder and beneficiary is Lap Kei. 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. 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. For further details on the insurance on Mr. Wong, please refer to note 14 to the Accountants’ Report set out in Appendix I to this document.

Other insurance coverage

In addition, the Group has also secured insurance coverage against loss or damage to office contents and bodily injury occurring on the Group’s office premises and warehouse.

EMPLOYEES

Number of employees by function

As at 31 December 2013, 31 December 2014, 31 March 2015 and as at the Latest Practicable Date, the Group had a total of 101, 100 and 99 and 96 employees respectively. All of the employees of the Group are stationed in Hong Kong.

Set out below is the number of employees by department as at 31 December 2013, 31 December 2014, 31 March 2015 and the Latest Practicable Date:

	As at 31 December		As at	As at the
	2013	2014	31 March	Latest
			2015	Practicable
				Date
Management	3	3	3	3
Administrative department	3	3	3	5
Engineering department — Building services engineering project	48	48	44	42
Engineering department — Maintenance project	41	39	41	38
Human resources and finance department	3	3	4	4
Tendering and procurement department	3	4	4	4
Total	101	100	99	96

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Relationship with staff

The Directors confirm that the Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has the Group experienced any difficulties in the retention of experienced staff or skilled personnel during the Track Record Period, and thus the Directors consider that the Group has maintained good relationship with its employees. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by employees. The Directors confirm that the Group has complied with all applicable labour laws and regulations in Hong Kong.

Training and recruitment policies

The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the Group’s business development. The Group provides employees’ handbook to new employees to explain the Group’s internal rules.

Remuneration policy

The Group entered into separate employment contracts with each of the Group’s employees in accordance with the applicable employment laws in Hong Kong.

The Group offers attractive remuneration package to its employees, the remuneration package includes basic salary, bonuses and other cash allowances or subsidies. The Group determines the salary of its employees mainly based on each employee’s qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

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PROPERTIES

Owned properties to be disposed of and leased back

During the Track Record Period, the Group owned the following properties in Hong Kong and details of which are set out below:

Address	Market value as at 30 April 2015 (HK\$'000)	Gross floor area (sq.ft.)	Usage
“Property B2” Workshop No. B2 on 6th Floor of Block B, Tonic Industrial Centre, No. 19 Lam Hing Street, Kowloon Hong Kong	8,530	1,885	For general office and operational use
“Property B4” Workshop No. B4 on 6th Floor of Block B, Tonic Industrial Centre, No. 19 Lam Hing Street, Kowloon Hong Kong	4,070	873	For general office and operational use

The Group engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer to prepare a valuation report dated 29 May 2015 (the “**Valuation Report**”) on these properties.

On 29 May 2015, Lap Kei (as transferor) and LKW Co. (as transferee) entered into an agreement for sale and purchase, pursuant to Property B2, which was legally and beneficially owned by Lap Kei immediately before the Reorganisation, was sold to and purchased by LKW Co. at a consideration of HK\$8,530,000. The consideration was determined with reference to the Valuation Report. Upon completion on [13 July 2015], Property B2 became legally and beneficially owned by LKW Co..

On 29 May 2015, Wealth E & M (as transferor) and LKW Co. (as transferee) entered into an agreement for sale and purchase, pursuant to which Property B4, which was legally and beneficially owned by Wealth E & M immediately before the Reorganisation, was sold to and purchased by LKW Co. at a consideration of HK\$4,070,000. The consideration was determined with reference to the Valuation Report. Upon completion on [13 July 2015], Property B4 became legally and beneficially owned by LKW Co..

After completion of the disposal of Property B2 and Property B4, the Group entered into the tenancy agreements with LKW Co. on [13 July 2015] for the lease of Property B2 and Property B4. Please refer to the section headed “Connected transactions” in this document for further details of the tenancy agreements.

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Leased properties

As at the Latest Practicable Date, save as those disclosed in the paragraph headed “Owned property to be disposed of and leased back” above, the Group leased the following properties in Hong Kong and details of which are set out below:

Address	Gross floor area <i>(sq.ft.)</i>	Lessor	Key terms of the tenancy	Usage
Workshops Nos. B6 & B10, 6th Floor, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Kowloon	1,816	Mr. Wong	Monthly rental of HK\$26,000 (excluding management fees, rates and government rent) with tenancy period up to [31 December 2017]	For general office and operational use
Workshop No. B8, 6th Floor, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Kowloon	908	Ms. So	Monthly rental of HK\$13,000 (excluding management fees, rates and government rent) with tenancy period up to [31 December 2017]	For general office and operational use

Please refer to the section headed “Connected transactions” in this document in relation to the properties leased by the Group as at the Latest Practicable Date. During the Track Record Period, the Group had not experienced any difficulty in renewing any lease.

Property valuation

As at the Latest Practicable Date, the Group had no single property with a carrying amount of 15% or more of the Group’s total assets, and on this basis, the Group is not required by Rule 8.01A of the GEM Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document 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 to the Companies (Winding up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of the Group’s interests in land or buildings.

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INTELLECTUAL PROPERTY RIGHTS

Trademark

As at the Latest Practicable Date, the Group had applied for the registration of three trademarks in Hong Kong. Details of such trademark are set out in the paragraph headed “Intellectual property rights” in Appendix IV to this document.

Domain name

As at the Latest Practicable Date, the Group had registered two domain names, being www.lapkeieng.com and www.lapkeieng.com.hk. Details of such domain names are set out in the paragraph headed “Intellectual property rights” in Appendix IV to this document.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, the Group did not engage in any research and development activity.

COMPLIANCE

The Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident of the Group which is material impact non-compliance or systemic non-compliance.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, in the ordinary course of business, the Group has been involved in a number of employees’ compensation claims and personal injury claims against the Group, either in the capacity as main contractor or subcontractor, which arisen due to personal injuries suffered by the Group’s employees or the employees of the subcontractors during the course of their employment for the Group’s projects.

During the Track Record Period and up to the Latest Practicable Date, there were 19 employees’ compensation claims of which 14 were settled and five were outstanding. There were three settled personal injury claims and 17 incidents have the possibility of turning into personal injury claims against us under common law.

Claims against the Group settled (whether by way of court judgment or award or settlement)

There were 14 settled employees’ compensation claims against the Group during the Track Record Period and up to the Latest Practicable Date. The total amount settled were approximately HK\$1.5 million, of which approximately HK\$1.4 million was covered by insurance or shared by the main contractor or subcontractor.

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There were three settled personal injury claims against the Group during the Track Record Period and up to the Latest Practicable Date. The total amount of two of the settled claims were approximately HK\$1.3 million, of which approximately HK\$1.1 million was covered by insurance or shared by the main contractor or subcontractor. The settled amount of the other case was unknown because the claim was settled between the main contractor and the injured employee by themselves.

During the Track Record Period and up to the Latest Practicable Date, there was one employees' compensation claim in which the Group was unable to seek reimbursement from the insurer due to its late reporting of the claim to the insurer as a result of management's oversight, and the Group has therefore paid a total sum of HK\$70,000 for the settlement of the claim. For another incident of which the injured employee of subcontractor claimed for both employees' compensation and person injury under common law, the Group has paid a sum of HK\$187,000 for settlement of the claims, as the claims were not fully recovered from the insurance policy taken out by the subcontractor.

Outstanding employees' compensation claims against the Group

There were five outstanding employees' compensation claims against the Group during the Track Record Period and up to the Latest Practicable Date. The total amount being claimed in these claims are yet to be assessed as they are at the initial stage and all claims are expected to be covered by insurance. All of these outstanding employees' compensation claims are related to employees of the Group.

During the Track Record Period and up to the Latest Practicable Date, the Group and most of its main contractors had taken out insurance policy in Hong Kong to provide for a liability under such claim of not less than HK\$200 million per event for employees of the Group. All of such employees' compensation claims are expected to be fully covered by the insurance policies either maintained by the Group or the main contractors.

Potential personal injury claims against the Group under common law

As at the Latest Practicable Date, among the 19 employees' compensation claims, there are 17 claims of which the relevant personal injury claims against the Group under the common law have not been commenced and therefore those incidents have the possibility of turning into personal injury claims under common law against the Group. Since the injured persons have not yet filed claims with particulars and the claims, when being filed, will be handled by solicitors appointed by insurers of the Group or the insurers of our main contractors, the Directors are not in the position to assess the likely quantum of such potential claims. All such potential claims are expected to be fully covered by insurance either maintained by the Group or the main contractors.

Save as the claims as disclosed above, during the Track Record Period and up to the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance against third parties, nor were the Group aware of any litigation, arbitration or claim which was pending or threatened by third parties against any member of the Group that would have a material adverse effect on the Group's results of operations or financial condition.

BUSINESS

INTERNAL CONTROL

The Group has engaged Baker Tilly, an independent internal control adviser, to perform a detailed evaluation of the adequacy and effectiveness of the Group’s internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improve the Group’s corporate governance, ensure compliance with the applicable safety regulations, and prevent occurrence of non-compliance incidents.

Baker Tilly is part of Baker Tilly Hong Kong which is an affiliate of Baker Tilly International. Baker Tilly is a company providing, among others, internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange and companies preparing for listing in Hong Kong. The engagement team of Baker Tilly includes members of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Chartered Institute of Management Accountants, and the Institute of Internal Auditors.

In relation to the claims where the Group was unable to seek reimbursement from the insurer due to its delay in reporting the claims to the insurer, Baker Tilly has reviewed the Group’s procedures for handling employee injuries and accidents at work, including, inter alia, insurance claim reporting procedures, and consider such procedures are adequate. For further details, please refer to the section headed “Business — Occupational health and safety — procedures for handling employee injuries and accidents at work” in this document.

In relation to the claims which were not fully recovered from the insurance policy taken out by the subcontractor, Baker Tilly has recommended that before appointment of subcontractor, review and checking has to be performed by designated personnel of the Company to assess and ensure that, if the employees’ compensation insurance is taken out by subcontractor, such insurance is adequate in all material aspects, including but not limited to (i) number of workers involved; (ii) estimation on cost of workers; and (iii) full description of the nature and types of work involved. The Group has adopted such recommendation from Baker Tilly.

From 20 May 2015 to 22 May 2015, Baker Tilly performed follow up review and arrived at a view that the Group did not have significant deficiencies in its internal control system for ensuring compliance with the applicable safety regulations, and preventing the occurrence of non-compliance incidents. According to the result of the follow up review by Baker Tilly, the Directors confirmed that the Group did not have significant deficiencies in its internal control design for ensuring compliance with the applicable safety regulations, and preventing the occurrence of non-compliance incidents as at the Latest Practicable Date.

View of the Directors and the Sponsor

Having considered the background leading to the specific incidents of material claims and Baker Tilly’s views on the Group’s internal control system, the Directors are of the view, and the Sponsor concurs, that (i) the various internal control measures adopted by the Group are adequate and effective; and (ii) the incidents identified do not materially affect the suitability for the Company’s listing under Rule 11.06 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, the Group has entered into transactions with a connected person of the Company. Following completion of the [REDACTED], the Group will continue to have certain transactions which are conducted in its ordinary and usual course of business, and constitute non-exempt continuing connected transactions of the Group pursuant to the GEM Listing Rules.

Framework Subcontracting Agreement entered between the Company and Kin Kwan

(a) Background and the principal terms

Kin Kwan is sole proprietorship owned by Mr. Wong Kang Hong, being the younger brother of Mr. Wong, the executive Director and a Controlling Shareholder. Kin Kwan is an approved subcontractor on the Group’s approved list of subcontractors and was a top five subcontractor of the Group for the two years ended 31 December 2013 and 2014. Prior to and during the Track Record Period, the Group has engaged Kin Kwan as subcontractor through tendering for the provision of fitting-out works in some of the Group’s projects. As at the Latest Practicable Date, there were one contract entered into between the Group and Kin Kwan which is expected to continue after the [REDACTED], the total outstanding contract sum of which amounted to approximately HK\$171,800 as at the Latest Practicable Date.

On [10 August 2015], the Company and Kin Kwan entered into a framework subcontracting agreement, pursuant to which the Group may engage Kin Kwan as subcontractor for the provision of fitting-out works pursuant to the terms and conditions thereunder with effect from [10 August 2015] and ending on 31 December 2017 (the “**Framework Subcontracting Agreement**”).

Under the Framework Subcontracting Agreement, the Company and its subsidiaries may invite Kin Kwan for tendering for the provision of the relevant services. The Group will generally select the most suitable subcontractor from the approved list of subcontractors based on their relevant skillsets and experience, subject to their availability and fee quotations. The Group is not bound to engage Kin Kwan for tenders submitted by it and may engage other subcontractors.

In the event that the Group accepts the tender provided by Kin Kwan, the Group will acknowledge Kin Kwan about its acceptance of Kin Kwan’s tender by placing a job order with Kin Kwan. Kin Kwan shall carry out the works and the Group shall pay the service fees to Kin Kwan in accordance with the relevant tender.

(b) Historical transaction amounts

The amounts received by Kin Kwan from the Group in respect of their transactions during the Track Record Period are set out as follows:

Year ended 31 December		Three-month period ended 31 March	
2013	2014	2014	2015
<i>(HK\$’000)</i>	<i>(HK\$’000)</i>	<i>(HK\$’000)</i>	<i>(HK\$’000)</i>
		(Unaudited)	
3,607	5,399	1	24

CONNECTED TRANSACTIONS

(c) Reasons of and benefits for entering into the Framework Subcontracting Agreement by the Company

Kin Kwan is a registered minor works contractor for Class II and Class III minor works under the minor works control system governed by the Building (Minor Works) Regulation in Hong Kong. Kin Kwan has been one of the Group's subcontractors since 2011. Taking into account that (i) the Group has engaged Kin Kwan as subcontractor for the provision of fitting-out works in some of the Group's projects in the past; and (ii) the works provided by Kin Kwan to the Group in the past were satisfactory in general, the Directors consider that retaining Kin Kwan in the Group's approved list of subcontractors would provide the Group with an additional choice of subcontractor with prior business relationship. The Framework Subcontracting Agreement would also allow the Group to ensure the existing and future engagements with Kin Kwan are in compliance with the requirements under Chapter 20 of the GEM Listing Rules.

(d) Pricing basis

It is expected that the fees specified in the tenders by Kin Kwan shall be determined with references to, among others, the requirements of the Group in respect of the fitting-out works to be carried out, the prevailing market prices of materials and subcontracting services for the carrying out the fitting-out works, the fee level in the market and competitive conditions at the relevant times, and any other factors which may affect the fees at the material times.

(e) Amount and basis of annual caps

Under the Framework Subcontracting Agreement, the annual caps of the transaction amount between the Group and Kin Kwan are stipulated as follows:

Period	Annual cap (HK\$)
Year ending 31 December 2015	\$5,500,000
Year ending 31 December 2016	\$6,000,000
Year ending 31 December 2017	\$6,500,000

In determining the proposed annual caps, the Company has taken into account the historical transaction amounts for the two years ended 31 December 2014 and the potential growth of business of the Group.

(f) GEM Listing Rules requirements relating to the Framework Subcontracting Agreement

Mr. Wong Kang Hong is the younger brother of Mr. Wong, the executive Director and a Controlling Shareholder. Accordingly, Mr. Wong Kang Hong (and thus Mr. Wong Kang Hong trading as Kin Kwan) is a connected person of the Company under Rule 20.10(2)(a) of the GEM Listing Rules.

Given all applicable percentage ratios (other than profits ratio), as defined under the GEM Listing Rules, are expected to exceed 5% but less than 25% and the total annual consideration is expected to be less than HK\$10,000,000, the transactions contemplated under the Framework Subcontracting

CONNECTED TRANSACTIONS

Agreement are subject to the reporting, announcement and annual review requirements, but is exempt from the circular and independent shareholders' approval requirements, pursuant to Rule 20.74(2) of the GEM Listing Rules.

Application for waivers from the Stock Exchange

Under Rule 20.74(2) of the GEM Listing Rules, the continuing connected transactions to be carried out pursuant to the Framework Subcontracting Agreement would require compliance with the reporting, announcement and annual review requirements.

Given the recurring nature of the transactions pursuant to the Framework Subcontracting Agreement after the Listing, the Directors consider that strict compliance with the reporting, announcement and annual review requirements would be impractical and unduly burdensome and would impose unnecessary administrative costs on the Company. Further, the fact that the continuing connected transactions pursuant to the Framework Subcontracting Agreement entered into prior to the Listing application will be fully disclosed in this document means that the purpose of public dissemination of information will be duly served.

Accordingly, the Company has applied to the Stock Exchange for [,and the Stock Exchange has granted] a waiver pursuant to Rules 20.103 of the GEM Listing Rules of the strict compliance with the GEM Listing Rules for the continuing connected transactions carried out pursuant to the Framework Subcontracting Agreement, subject to the following conditions:

- (a) the annual caps for such continuing connected transactions as stipulated above will not be exceeded; and
- (b) the Company will comply with other applicable requirements under Chapter 20 of the GEM Listing Rules.

If any of the material terms of the continuing connected transactions under the Framework Subcontracting Agreement are altered, or any future amendment to the GEM Listing Rules imposing more stringent requirements than those as of the date of the grant of the waiver of the continuing connected transactions, the Company will take immediate steps to ensure compliance with such requirement within a reasonable time.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Framework Subcontracting Agreement have been and will be entered into in the ordinary and usual course of business of the Group and are on normal commercial terms or terms no less favourable to the Group than terms available to Independent Third Parties, are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps for the transactions under in the Framework Subcontracting Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTIONS

Confirmation from the Sponsor

The Sponsor has reviewed the relevant documents, information and historical figures provided by the Company and participated in due diligence and discussions with the Company. The Sponsor is of the view that the continuing connected transactions under the Framework Subcontracting Agreement have been entered into and will be carried out in the ordinary and usual course of business of the Group and are on normal commercial terms or terms no less favourable to the Group than terms available to Independent Third Parties, are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps under the Framework Subcontracting Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions below are exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements pursuant to Rule 20.74(1) of the GEM Listing Rules.

Tenancy Agreements

(a) Background of the transactions

As at the Latest Practicable Date, the Group has occupied Workshops No. B2, B4, B6, B8 and B10 on the 6th Floor of Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon (the “**Property**”) as its head office in Hong Kong. The Group has been using part of the Property as its office since 5 July 2010. Details of the Property are set out in the section “Business — Properties” in this document.

During the Track Record Period and as at 31 March 2015, Lap Kei owned Workshop No. B2, Wealth E & M owned Workshop No. B4, Mr. Wong owned Workshops No. B6 and B10, and Ms. So owned Workshop No. B8.

During the Track Record Period, Lap Kei rented Workshops No. B6 and B10 from Mr. Wong and Workshop No. B8 from Ms. So, respectively, at a monthly rental ranging from HK\$10,000 to HK\$12,000 per workshop. No tenancy agreement has been entered into between Lap Kei and each of Mr. Wong and Ms. So. The annual rental paid by Lap Kei to Mr. Wong and Ms. So, respectively, in relation to the tenancies of Workshops no. B6, B8 and B10 for the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015 amounted to approximately HK\$414,000, HK\$432,000 and HK\$108,000, respectively.

The rental for the respective workshops was arrived at after arm’s length negotiations between Lap Kei and each of Mr. Wong and Ms. So with reference to prevailing market rental of the surrounding comparable premises in the vicinity of the Property. The Sponsor concurred with the Directors’ view that such monthly rental was arrived at after arm’s length basis and was on terms no less favourable to the Group than terms available from Independent Third Parties.

On 29 May 2015, each of Lap Kei and Wealth E & M as vendor entered into a memorandum of agreement for sale and purchase for the disposals of Workshops No. B2 and B4, respectively, to LKW Co. as purchaser. For details, please refer to the section “Business — Properties” in this document.

CONNECTED TRANSACTIONS

(b) Proposed Tenancy Agreements to be entered by the subsidiaries of the Group

The Group intends to enter into the following tenancy agreements with effect from [13 July] 2015 and ending 31 December 2017: (i) tenancy agreement between Lap Kei as tenant and LKW Co. as landlord in relation to the lease of Workshop No. B2; (ii) tenancy agreement between Wealth E & M as tenant and LKW Co. as landlord in relation to the lease of Workshop No. B4; (iii) tenancy agreement between Lap Kei as tenant and Mr. Wong as landlord in relation to the lease of Workshop No. 6; (iv) tenancy agreement between Lap Kei as tenant and Ms. So as landlord in relation to the lease of Workshop No. B8; and (v) tenancy agreement between Lap Kei as tenant and Mr. Wong as landlord in relation to the lease of Workshop No. 10 (together the “**Tenancy Agreements**”).

(c) Proposed annual caps and basis of determination

The Group expects the annual caps for the rental (excluding management fees, rates and government rent) payable by it to LKW Co., Mr. Wong and Ms. So, respectively, for each of the three years ending 31 December 2017 under respective Tenancy Agreements are set out as below:

	Proposed annual cap		
	Year ending 31 December		
	2015	2016	2017
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Property	606,000	933,600	933,600

The proposed annual caps with respect to the Tenancy Agreements are arrived at after arm’s length negotiation between the relevant parties under respective Tenancy Agreements, with reference to prevailing market rent of the surrounding comparable premises in the vicinity of the Property based on the Valuation Report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer engaged by the Group.

The Directors consider that the Tenancy Agreements allow the Group to continue the use of the Property, part of which has been its office since 5 July 2010.

(d) GEM Listing Rules requirements relating to the Tenancy Agreement

Mr. Wong and Ms. So are the executive Directors and Controlling Shareholders, LKW Co. is a directly wholly-owned subsidiary of Golden Luck which is a Controlling Shareholder. Accordingly, each of Mr. Wong, Ms. So and LKW Co. is a connected person of the Company under Rule 20.07 of the GEM Listing Rules.

Given each of the applicable percentage ratios (other than profits ratio), as defined under the GEM Listing Rules, in respect of the Tenancy Agreements is, on an annual basis, expected to be less than 5% and the total annual consideration is less than HK\$3,000,000 for the three years ending 31 December 2017, the Tenancy Agreements are exempt from the reporting, announcement, annual review, circular and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of two executive Directors and three independent non-executive Directors. The following table sets forth the information regarding the Directors of the Group:

Name	Age	Date of joining the Group	Date of appointment as a Director	Position	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. WONG Kang Kwong (黃鏡光)	[49]	30 December 1997	29 April 2015	Executive Director and chairman of the Board	Overall business development, management and operation of the Group	Spouse of Ms. So
Ms. SO Nui Ho (蘇女好)	[44]	30 December 1997	19 May 2015	Executive Director	Overall management of the Group's financial and administrative matters	Spouse of Mr. Wong and sister-in-law of Mr. Leung Chi Man
Mr. CHUNG Yuk Ming, Christopher (鍾育明)	[42]	[10 August 2015]	[10 August 2015]	Independent non-executive Director	Provide independent advice to the Board	Nil
Mr. FOK Ka Chi (霍嘉誌)	[33]	[10 August 2015]	[10 August 2015]	Independent non-executive Director	Provide independent advice to the Board	Nil
Mr. TAM Chun Chung (譚振忠)	[42]	[10 August 2015]	[10 August 2015]	Independent non-executive Director	Provide independent advice to the Board	Nil

Executive Directors

Mr. WONG Kang Kwong (黃鏡光), aged [49], is the co-founder of the Group and one of the Controlling Shareholders. Mr. Wong was appointed as a Director of the Company on 29 April 2015 and was re-designated as an executive Director of the Company and the chairman of the Board on [REDACTED]. He is primarily responsible for the overall business development, management and operation of the Group. Mr. Wong is also a director of Lap Kei. He is the spouse of Ms. So.

Mr. Wong has over 26 years of experience in building services engineering industry. He completed the course of cold storage and air-conditioning and the course of application design for air-conditioning and ventilation in the Hong Kong Institute of Air-conditioning in September 1983 and September 1990 respectively. In 1988, Mr. Wong established Lap Ki Engineering Works, a sole proprietorship incorporated in Hong Kong, which is principally engaged in air-conditioning installation and repairing. In December 1997, Mr. Wong founded Lap Kei with Ms. So and he has been handling the Group's business operation since then.

Mr. Wong has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

DIRECTORS AND SENIOR MANAGEMENT

Ms. SO Nui Ho (蘇女好), aged [44], is the co-founder of the Group and one of the Controlling Shareholders. Ms. So was appointed as a Director of the Company on 19 May 2015 and was re-designated as an executive Director of the Company on [REDACTED]. She is primarily responsible for the overall management of the Group's financial and administrative matters. Ms. So is also a director of Lap Kei and Wealth E & M. She is the spouse of Mr. Wong and the sister-in-law of Mr. Leung Chi Man.

Ms. So completed her secondary education and participated in the Hong Kong Certificate of Education Examination in 1988. She obtained a business studies diploma from Hong Kong School of Commerce in June 1989. Ms. So completed a one-year part-time evening post-secondary 5 course at Kwai Chung Technical Institute and was awarded a certificate in higher accounting in July 1991. She was awarded a certificate for passing accounting (third level) examination from the London Chamber of Commerce and Industry Examinations Board in 1992.

Ms. So has more than 20 years of experience in accounting, financing and administration. Prior to joining the Group, she served in the accounting department of an insurance company in Hong Kong and her last position held was an assistant supervisor. In December 1997, Ms. So founded Lap Kei with Mr. Wong and she has been handling the Group's financial and administrative matters since then.

Ms. So has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

Independent non-executive Directors

Mr. CHUNG Yuk Ming, Christopher (鍾育明), aged [42], was appointed as an independent non-executive Director of the Company on [REDACTED]. He is currently working as a project director in Fruit Design & Build Limited, a company that provides construction-related consulting services in Hong Kong.

Mr. Chung has over 19 years of experience in developer and main contractor role in the real estate and construction industry. He obtained a bachelor's degree of science in building surveying from City University of Hong Kong in November 1995, a master's degree of science in urban planning from the University of Hong Kong in December 1999, and a bachelor's degree of laws from the Manchester Metropolitan University, the United Kingdom, (a long distance learning course) in July 2006. Mr. Chung has been a member of the Royal Town Planning Institute since January 2009 and a member of Hong Kong Institute of Construction Managers since August 2005.

Mr. Chung joined Fruit Design & Build Limited in September 2014. He worked in China International Fund Limited from April 2007 to August 2010 and from September 2012 to April 2014, Right Year Investment Limited from September 2010 to August 2012 and Penta Ocean Construction Co. Ltd from August 1995 to July 2005 with the last position being held as construction manager.

Mr. Chung has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

Mr. FOK Ka Chi (霍嘉誌), aged [33], was appointed as an independent non-executive Director of the Company on [REDACTED]. He is currently practicing as a barrister-at-law in Hong Kong and is also a member of the Hong Kong Bar Association.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fok has over 7 years of experience in the area of commercial dispute, litigations and properties law. He obtained a bachelor’s degree of laws (LLB) and a postgraduate certificate in laws (PCLL) from the City University of Hong Kong in November 2006 and July 2007 respectively. Mr. Fok was admitted as a Barrister in Hong Kong in 2008. He was an independent non-executive director of AID Partners Capital Holdings Limited (formerly known as Crosby Capital Limited) (stock code: 8088) from May 2013 to September 2013.

Save as above, Mr. Fok has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

Mr. TAM Chun Chung (譚振忠), aged [42], was appointed as an independent non-executive Director of the Company on [REDACTED]. He has been the joint company secretary of China Railway Group Limited (stock code: 390) since November 2007 and an independent non-executive director of Huiyin Household Appliances (Holdings) Co., Ltd. (stock code: 1280) since March 2010.

Mr. Tam has more than 16 years of experience in the accounting and audit field. He obtained a bachelor’s degree of business administration from the Chinese University of Hong Kong in December 1994. Mr. Tam was admitted as a member of the Hong Kong Institute of Certified Public Accountants in December 1997 and a fellow of the Association of Chartered Certified Accountants since November 2002.

Prior to joining China Railway Group Limited (stock code: 390), Mr. Tam served as a qualified accountant and joint company secretary of Jilin Qifeng Chemical Fiber Co., Ltd. (stock code: 549) from September 2005 to November 2007. During 2000 to 2005, he worked in the finance department in China Motion Telecom International Limited (stock code: 989) as an assistant manager, and was subsequently promoted to the position as a senior manager. Mr. Tam worked for KPMG from 1994 to 2000 and his last position held was assistant manager.

Save as above, Mr. Tam has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Each of the Directors confirms with respect to him that: (i) he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not hold any other position in the Company or any of its subsidiaries; (iii) save as disclosed in the paragraph headed “Disclosure of interests of Directors” under the subsection headed “Further information about Directors, management and staff” in Appendix V to this document, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth the information regarding the senior management team of the Group:

Name	Age	Date of joining the Group	Position	Relationship with other Director(s) and/or senior management
Mr. LEUNG Chi Man (梁志文)	[50]	22 June 1998	General manager	Brother-in-law of Ms. So
Mr. LAU Kai Sum (劉啟森)	[58]	2 October 2010	Project manager	Nil
Mr. LEE Man Kei (李文基)	[37]	14 October 2004	Project manager	Nil
Mr. CHAN Chi Sing (陳志成)	[39]	17 December 1997	Assistant project manager	Nil
Mr. LAU Hing Cheong (劉慶昌)	[36]	5 April 2003	Assistant project manager	Nil
Mr. CHAN Chun Sing (陳振聲)	[35]	23 February 2015	Chief financial officer	Nil
Mr. CHENG Chin Wing (鄭展榮)	[29]	19 May 2015	Company secretary	Nil

Mr. LEUNG Chi Man (梁志文), aged [50], is the general manager of the Group. He joined the Group on 22 June 1998 and he is primarily responsible for the overall management of the Group's business segment in relation to the engineering services for building services projects. Mr. Leung is the brother-in-law of Ms. So. Mr. Leung is also a director of Lap Kei.

Mr. Leung has over 25 years of experience in the building services industry. He obtained a higher diploma in electrical engineering and a post-experience certificate in safety studies from the Hong Kong Polytechnic University in July 1989 and July 1993 respectively. In November 1997, Mr. Leung obtained a master of science in electrical engineering from the Hong Kong Polytechnic University. He was admitted as a chartered electrical engineer by the Institution of Electrical Engineers in October 1995, a chartered engineer by the Engineering Council in April 1996 and a member of the Hong Kong Institution of Engineers in June 1996.

Prior to joining the Group, Mr. Leung worked for several departments in China Light and Power Holdings Limited from 1989 to 1998 and his last position held was engineer in the engineering department (contract management).

Mr. Leung has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Kai Sum (劉啟森), aged [58], is a project manager of the Group. He joined the Group on 2 October 2010 and he is primarily responsible for the overall management of site works, quality control and work safety supervision regarding to the building service projects of the Group.

Mr. Lau has over 11 years of experience in the building services industry. He obtained a higher certificate in mechanical engineering from the Hong Kong Polytechnic Institute in November 1986. From July 1982 to 2009, Mr. Lau worked in several engineering companies and was involved in numerous building services projects. Prior to joining the Group, Mr. Lau was the chief engineer at Shinryo (Hong Kong) Limited from December 2009 to September 2010 where he was responsible for planning, organizing, supervising, controlling and co-coordinating the E&M, plumbing, HVAC and building services installation activities.

Mr. Lau has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

Mr. LEE Man Kei (李文基), aged [37], is an assistant project manager of the Group. He joined the Group on 14 October 2004 and he is primarily responsible for the overall management of site works, quality control and work safety supervision regarding to the building service projects of the Group.

Mr. Lee has over 12 years of experience in the building services industry. He obtained a higher diploma in building services engineering from the Hong Kong Institute of Vocational Education in July 2002. Mr. Lee also obtained a bachelor's degree of engineering in building services engineering and a master of science in fire and safety engineering from the Hong Kong Polytechnic University in October 2008 and October 2011 respectively. Mr. Lee first joined the Group as an assistant engineer and was subsequently promoted to the position as an engineer, a senior engineer and an assistant project manager.

Mr. Lee has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

Mr. CHAN Chi Sing (陳志成), aged [39], is an assistant project manager of the Group. He joined the Group on 17 December 1997 and he is primarily responsible for the tendering work of the building services projects of the Group.

Mr. Chan has over 17 years of experience in the building services industry. He obtained a higher diploma in building services engineering and a bachelor's degree of engineering in building services engineering from the Hong Kong Polytechnic University in November 1997 and October 2014 respectively. Mr. Chan joined the Group as an assistant engineer since his graduation in November 1997, and was subsequently promoted to the position as an engineer and a senior engineer.

Mr. Chan has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

Mr. LAU Hing Cheong (劉慶昌), aged [36], is an assistant project manager of the Group. He joined the Group in April 2003 and he is primarily responsible for the overall management of site works, quality control and work safety supervision regarding to the building service projects of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau has over 14 years of experience in the building services industry. He obtained a higher diploma in building services engineering and a bachelor's degree of engineering in building services engineering from the Hong Kong Polytechnic University in November 2000 and October 2013 respectively.

Mr. Lau has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

Mr. CHAN Chun Sing (陳振聲), aged [35], was appointed as the chief financial officer of the Group on 23 February 2015. He is primarily responsible for the financial reporting, financial planning, treasury, financial control matters of the Group.

Mr. Chan has over 13 years of experience in financial advisory, corporate finance and accounting industry. He obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2001. Mr. Chan has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 2006. He is also an associate member of the Hong Kong Institute of Directors since March 2013.

Mr. Chan worked for Deloitte Touche Tohmatsu from 2001 to 2011 and his last position held was senior manager in the audit department. Mr. Chan also served as an independent non-executive director of Noble House (China) Holding Limited from December 2011 to October 2013 (stock code: 8246). He joined a private company as chief financial officer from July 2003 to February 2014 and was appointed as executive director from March 2014 to April 2015. He was designated as non-executive director since May 2015.

Save as above, Mr. Chan has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

COMPANY SECRETARY

Mr. CHENG Chin Wing (鄭展榮), aged [29], was appointed as the the company secretary of the Group on 19 May 2015. He is primarily responsible for the company secretarial matters of the Group.

Mr. Cheng has over 6 years of experience in financial management and reporting, auditing and compliance matters of listed companies in Hong Kong. He obtained a bachelor's degree in accountancy from the Hong Kong Baptist University in November 2008. Mr. Cheng has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2012.

Prior to joining the Group, Mr. Cheng served as the company secretary of Bamboos Health Care Holdings Limited (stock code: 8216) from March 2014 to September 2014. During April 2012 to October 2013, Mr. Cheng was the deputy financial controller of Noble House (China) Holdings Limited (stock code: 8246). Mr. Cheng worked for Deloitte Touche Tohmatsu from 2008 to 2012 and his last position held was a senior associate in the audit department.

Mr. Cheng has not held any directorship in any public listed company during the three years immediately preceding the date of this document.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Ms. So is the compliance officer of the Group. For her biographical information, please refer to the section “Directors and senior management — Directors” above.

REMUNERATION POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of 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 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 Group’s operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

After the [REDACTED], the remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. The Directors may also be offered options under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the two years ended 31 December 2013 and 2014 and for the three-month period ended 31 March 2014 and 31 March 2015, the aggregate amount of 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\$1.7 million, HK\$1.8 million, HK\$0.4 million and HK\$0.5 million respectively.

Among the Group’s five highest paid individuals during the Track Record Period, two of them were the Group’s Directors whose emoluments are disclosed above. Set out below is the summary of the emoluments in respect of the remaining three individuals during the Track Record Period:

	For the year ended		For the three-month period	
	31 December		ended 31 March	
	2013	2014	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Salaries and other benefits	1,438	1,534	362	609
Discretionary bonuses	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>

DIRECTORS AND SENIOR MANAGEMENT

The emoluments of each of the aforementioned three non-Director highest paid individuals were below HK\$3.0 million.

Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the Directors will be as below:

	<i>HK\$</i>
Executive Directors	
Mr. Wong	1,800,000
Ms. So	600,000
<i>HK\$</i>	
Independent non-executive Directors	
Mr. Chung Yuk Ming, Christopher	120,000
Mr. Fok Ka Chi	120,000
Mr. Tam Chun Chung	120,000

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

BOARD COMMITTEES

Audit Committee

The Company established the audit committee on [REDACTED] with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Chung Yuk Ming, Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung with Mr. Tam Chun Chung being the chairman of the audit committee. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management, the reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing the Group's financial reporting process and internal control system.

Remuneration Committee

The Company established the remuneration committee on [REDACTED] which, at present, comprises three independent non-executive Directors, namely Mr. Chung Yuk Ming, Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung with Mr. Fok Ka Chi being the chairman of the committee. Written terms of reference in compliance with paragraph B.1.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules have been adopted. Amongst other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all

DIRECTORS AND SENIOR MANAGEMENT

executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

Nomination Committee

The Company established the nomination committee on [REDACTED]. The nomination committee comprises three independent non-executive Directors, namely Mr. Chung Yuk Ming, Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung. Mr. Chung Yuk Ming, Christopher has been appointed as the chairman of the nomination committee. Written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Group will comply with the revised Corporate Governance Code and the associated GEM Listing Rules which became effective in January 2016.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company [has appointed] Messis Capital to be the compliance adviser, who will have access to all relevant records and information relating to the Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Group must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by the Group, including share issues and share repurchases;
- (iii) where the Group proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of the Group deviate from any forecast, estimate or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the [REDACTED] Date and end on the date on which the Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the [REDACTED] Date, or until the agreement is terminated, whichever is the earlier.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme), Mr. Wong, Ms. So and Golden Luck will be the Controlling Shareholders (within the meaning of the GEM Listing Rules). Golden Luck is an investment holding company incorporated in the BVI and owned as to 99% by Mr. Wong and 1% by Ms. So. As at the Latest Practicable Date. Save and except for their respective interests in the Company and its subsidiaries, none of the Controlling Shareholders nor any of their respective associates had any interest in any other companies which held interests in the business of the Company during the Track Record Period and had ceased to hold such interests after the Reorganisation. The Group has been under the ownership and control by Mr. Wong and Ms. So throughout the Track Record Period.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in the section headed “Connected transactions” in this document, the Directors do not expect that there will be any other significant transactions between the Group and its Controlling Shareholders and their respective associates upon or shortly after the [REDACTED]. The Directors believe that the Group is capable of carrying on its business independently of its Controlling Shareholders and their respective associates after the [REDACTED] having considered the following factors:

Management independence

The Board comprises two executive Directors and three independent non-executive Directors. The executive Directors are Mr. Wong and Ms. So. Regarding the independent non-executive Directors, Mr. Tam Chun Chung is a Certified Public Accountant, and Mr. Fok Ka Chi is a barrister-of-law in Hong Kong. The independent non-executive Directors have been appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinion.

Each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. 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 associates, the interested Director(s) will abstain from voting at the relevant board meetings of the Company in respect of such transactions and will not be counted in the quorum of the relevant board meeting. The independent non-executive Directors are also expected to oversee the Board independently to ensure that there is no potential conflict of interest.

Save for Mr. Wong, Ms. So and Mr. Leung Chi Man, the general manager of the Group and the brother-in-law of Ms. So, the Group has an independent senior management team to carry out and execute the business decisions of the Group independently. The Directors are satisfied that the senior management team will be able to perform their roles in the Company independently, and the Directors are of the view that the Company is capable of managing its business independently from the Controlling Shareholders and their respective associates after the [REDACTED].

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Operational independence

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. The Group has independent access to customers for the Group’s business.

The Group has engaged Kin Kwan, a sole proprietorship owned by Mr. Wong Kang Hong, the brother of Mr. Wong as subcontractor through tendering for the provision of fitting-out works in some of the Group’s projects. Details of the transactions are disclosed in the section headed “Connected transactions” in this document. The Group currently does not have any intention to purchase or sell any products from/to its Controlling Shareholders and, if such happens in future, the connected transactions/ continuing connected transactions will be conducted in compliance with the GEM Listing Rules.

The Group has also established a set of internal control measures to facilitate the effective operations of its business. The Group’s customers and suppliers (save as those disclosed in the section headed “Connected transactions” in this document) are all independent from the Controlling Shareholders. The Group does not rely on the Controlling Shareholders or their respective close associates and have its independent access to customers and suppliers. The Directors consider that the Group’s operations do not depend on the Controlling Shareholders because (i) there is no competing business between the Group and any of the Controlling Shareholders; and (ii) the Group will not be relying on any guarantee provided by any of the Controlling Shareholders in respect of bank borrowings nor have the Group given any guarantee for the benefit of any of the Controlling Shareholders upon Listing.

Financial independence

The Company has an independent financial system and makes financial decisions according to the Group’s own business needs. The Directors confirmed that any guarantee, loan, pledge or security provided by the Controlling Shareholders in favour of the Group will be released or settled, as the case may be, before or upon the [REDACTED]. On the other hand, as at the Latest Practicable Date, there was no guarantee, loan, pledge or security provided by the Group to the Controlling Shareholders.

As at 30 April 2015, the Group had outstanding variable-rate bank borrowings of approximately HK\$6.7 million. The range of effective contractual interest rates was from 1.88% to 2.25% per annum offered by the bank as at 30 April 2015.

The bank borrowings were secured by the Group’s property, plant and equipment with an aggregate amount of HK\$4.4 million, prepayment and deposit paid for a life insurance policy with a carrying amount of HK\$1.1 million, and certain properties held by Mr. Wong and Ms. So and personal guarantees provided by Mr. Wong and Ms. So, for unlimited amounts. The bank borrowings will be fully repaid and therefore the above properties held by Mr. Wong and Ms. So and the personal guarantees provided by Mr. Wong and Ms. So will be released before Listing.

The remaining banking facility is granted by Shanghai Commercial Bank Limited which is secured by properties held by Mr. Wong and Ms. So and personal guarantees from Mr. Wong and Ms. So for an unlimited amount, which will be conditionally replaced by corporate guarantee upon listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

As at 30 April 2015, there was approximately HK\$0.7 million due from Mr. Wong. During the Track Record Period, the Group had certain amounts due to or from Mr. Wong. For details, please refer to note 17 to the Accountants’ Report set out in Appendix I to this document. Such amounts due to or from Mr. Wong will be fully settled before [REDACTED]. The Directors believe that the Group is capable of obtaining financing from independent third parties, if necessary, without reliance on the Controlling Shareholders after the [REDACTED]. Therefore, the Group will be financially independent from the Controlling Shareholders after the [REDACTED].

COMPETITION

Each of the Controlling Shareholders, the Directors, the substantial shareholders and their respective close associates does not have any interest in a business apart from the Group’s business which competes or may compete, directly or indirectly, with the Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders has given a non-competition undertaking in favour of the Company, pursuant to which each of the Controlling Shareholders undertakes to and covenants with the Company (for the Company and as trustee for each of its subsidiaries) that:

- (1) he/she/it will not, and will use his/her/its best endeavours to procure any Controlling Shareholder, his/her/its close associates (collectively, the “Connected Persons”) and any company directly or indirectly controlled by any Controlling Shareholder (excluding any member of the Group) (the “Controlled Company”) not to, either on his/her/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of the Group) to conduct any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by the Company or any of its subsidiaries in Hong Kong and such other places as the Company or any of its subsidiaries may conduct or carry on business from time to time, including but not limited to the provision of engineering services for building services systems in Hong Kong (the “Restricted Business”);
- (2) If any Controlling Shareholder and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the “New Business Opportunity”):
 - (a) he/she/it shall within 10 days notify the Company of such New Business Opportunity in writing and refer the same to the Company for consideration, and shall provide the relevant information to the Company in order to enable it to make an informed assessment of such opportunity; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) he/she/it shall not, and shall procure that his/her/its Controlled Person(s) or Controlled Company not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by the Company and the principal terms of which the Controlling Shareholder or his/her/its Controlled Person(s) or Controlled Company invest or participate in are no more favourable than those made available to the Company.
- (3) A Controlling Shareholder may only engage in the New Business Opportunity if:
 - (a) a notice is received by the Controlling Shareholder from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "Non-acceptance Notice"); or
 - (b) the Non-acceptance Notice is not received by the Controlling Shareholder within 30 days after the proposal of the New Business Opportunity is received by the Company.

Each of the Controlling Shareholders jointly and severally, unconditionally and irrevocably undertakes to the Company (for itself and as trustee for each of its subsidiaries) that he/she/it will:

- (1) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors), and shall not be counted towards the quorum for such meeting;
- (2) as required by the Company, provide all information necessary for its independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the non-competition undertaking and the enforcement of it;
- (3) procure the Company to disclose to the public either in the annual report of the Company or issue a public announcement in relation to any decisions, and where applicable the reasons for such decisions, made by its independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (4) where the independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the non-competition undertaking in the annual report of the Company, and ensure that the disclosure of information relating to compliance with the terms of the non-competition undertaking and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (5) that during the period when the non-competition undertaking 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 Controlling Shareholder of any statement, warrant or undertaking made under the non-competition undertaking.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The non-competition undertaking will take effect from the date on which dealings in the Shares on GEM first commence and will cease to have any effect upon the occurrence of the earliest of:

- (1) the date on which the Shares cease to be listed on GEM;
- (2) the date on which the Controlling Shareholders cease to be a Controlling Shareholder; or
- (3) the date on which the Controlling Shareholders beneficially own or become interested jointly or severally in the entire issued share capital of the Company.

CORPORATE GOVERNANCE MEASURES

The Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend but in no circumstances shall he/she be counted towards the quorum or allowed to vote on such resolution;
- (2) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by its Controlling Shareholders;
- (3) its Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (4) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of its Controlling Shareholders in the annual reports of the Company;
- (5) its Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of the Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of the Company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Further, any transaction that is proposed between the Group and its Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders’ approval requirements.

None of the members of the Group has experienced any dispute with its shareholders or among its shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in this paragraph headed “Corporate Governance Measures”, the Directors believe that the interests of the Shareholders will be protected.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme or pursuant to the exercise of the [REDACTED]), the following persons will have interests or short positions in the Shares or 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, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Capacity/nature of interest	Number of Shares held in the Company immediately after completion of the [REDACTED] Issue and the [REDACTED] (Note 1)	Percentage of interests in the Company immediately after completion of the [REDACTED] and the [REDACTED]
Golden Luck (Note 2)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Wong (Note 2)	Interest in a controlled corporation	[REDACTED]	[REDACTED]
Ms. So (Note 3)	Interest of spouse	[REDACTED]	[REDACTED]

Note:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. The Company will be owned as to [75]% by Golden Luck immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme or pursuant to the [REDACTED]). Golden Luck is legally and beneficially owned as to 99% by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in the same number of Shares held by Golden Luck.
3. Ms. So is the spouse of Mr. Wong. Under the SFO, Ms. So is deemed to be interested in the same number of Shares in which Mr. Wong is interested.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

Save as disclosed herein, the Directors are not aware of any person who will, immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme or pursuant to the exercise of the [REDACTED]), have an interest or short position in the Shares or the underlying Shares of the Company 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

SIGNIFICANT SHAREHOLDERS

Save as disclosed above, the Directors are not aware of any person who will be, immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme or pursuant to the exercise of the [REDACTED]), entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company.

SHARE CAPITAL

SHARE CAPITAL

Assuming the [REDACTED] is not exercised, the share capital of the Company immediately following the [REDACTED] and the [REDACTED] will be as follows:

Authorised:

HK\$

<u>[1,000,000,000]</u>	Shares of HK\$0.01 each	<u>[10,000,000.00]</u>
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Issued or to be issued, fully paid or credited as fully paid:

	1 Share in issue as at the Latest Practicable Date	0.01
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
<u>[REDACTED]</u>	Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u>	Shares	<u>[REDACTED]</u>

Assuming the [REDACTED] is exercised in full, the share capital of the Company immediately following the [REDACTED] and the [REDACTED] will be as follows:

Authorised:

HK\$

<u>[1,000,000,000]</u>	Shares of HK\$0.01 each	<u>[10,000,000.00]</u>
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Issued or to be issued, fully paid or credited as fully paid:

	1 Share in issue as at the Latest Practicable Date	0.01
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED] and the [REDACTED]	[REDACTED]
<u>[REDACTED]</u>	Shares	<u>[REDACTED]</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The [REDACTED] Shares and the Shares which may be issued under the [REDACTED] will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this document save for the entitlements under the [REDACTED].

SHARE CAPITAL

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the section headed “D. Share Option Scheme” in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not more than:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares that may be issued pursuant to the exercise of the [REDACTED] or options that may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted or upon the exercise of the [REDACTED].

For further details of this general mandate, see the paragraph headed “5. Written resolutions of the sole Shareholder passed on [REDACTED]” in the section headed “A. Further information about the Company” in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the Company’s share capital in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares that may be issued pursuant to the exercise of the [REDACTED] or options that 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 are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Repurchase by the Company of its own securities” in the section headed “Further information about the Company” in Appendix IV to this document.

SHARE CAPITAL

The general mandate to issue and repurchase Shares will expire:

- (a) at the conclusion of the next annual general meeting of the Company;
- (b) at the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- (c) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of these general mandates, please refer to the paragraphs headed "5. Written resolutions of the sole Shareholder passed on [REDACTED]" and "6. Repurchase of the Shares" respectively in the section headed "A. Further information about the Company" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, the Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed "Summary of the Constitution of our Company and the Cayman Islands Company Law" in Appendix III to this document.

FINANCIAL INFORMATION

You should read this section in conjunction with the Group’s audited combined financial statements, including the notes thereto, as set out in the Accountants’ Report set out in Appendix I to this document. The Group’s combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”). You should read the entire Accountants’ 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 to future events and financial performance. 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, you should refer to the section “Risk factors” in this document.

OVERVIEW

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The building services engineering works undertaken by the Group are mainly related to the supply, installation and maintenance of (i) ventilation and air-conditioning system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

During the Track Record Period, the Group undertook building services engineering projects from the private sectors in Hong Kong. Projects from the private sector accounted for all of the total revenue for each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015. The Group’s revenue is derived from building services engineering projects relating to both existing building and new building. During the Track Record Period, all of the Group’s revenue was derived in Hong Kong.

In executing a building services engineering project, subject to the scope of work under the engagement, the Group is generally responsible for the design of the relevant building services systems, planning of the engineering works, arrangement of direct labour and subcontractors, sourcing of materials and equipment, work supervision and quality control, and ensuring compliance with the customers’ requirements. In certain projects, the Group also provides complementary fitting-out services.

The allocation of works between in-house team of workers and subcontractors are determined in a case-by-case basis. Based on the Group’s internal policies on engaging subcontractors, the Group generally assigns its in-house workers to perform engineering works for air-conditioning system and electrical system which usually include the installation and configuration of control panels and ancillary systems, while the Group generally assigns subcontractors to perform works, such as fire services system, plumbing and drainage system, and fitting-out works, which the Directors considered to be less technical in certain projects. The Group leverages on the expertise of its in-house engineering team to deliver quality work in conformity with customer’s expectation and prescribed timeframe.

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The Group’s client base primarily consists of main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and in some cases, landlords or occasionally property developers or their consultants, who directly engage the Group as main contractor or as nominated subcontractor. The Group’s building services engineering projects cover different types of buildings, including residential, commercial (e.g. office, hotel and shopping arcades, etc), industrial, and institutional (e.g. hospital and academic institutions) properties.

Revenue from building services engineering projects mainly represents the contract income, while main costs include subcontracting charges, material and equipment costs, direct labour costs of in-house staff involved and other supplies required for the performance of the works.

The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering work for existing building and new building; and (ii) maintenance, repair and other services (“Maintenance Projects”) which include provision of maintenance and repair services for building services system and replacement of parts. For building services engineering projects, the Group is required to complete the engineering works in relation to the installation/upgrade of building services systems as set out in the scope of work under the contract. For maintenance projects, the Group is required to provide maintenance services for existing building services systems of a property/a portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

As at the Latest Practicable Date, the Group had 22 engineering projects in progress (excluding variation orders) and 28 maintenance projects in progress, with a total estimated outstanding contract sum and work order value of approximately HK\$198.1 million. Further details of the Group’s projects are set out in the sections headed “Projects undertaken during the Track Record Period” and “Business — Project in Progress” in this document.

BASIS OF PRESENTATION

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 the Reorganisation as detailed in the section headed “History, reorganisation and corporate structure” in this document. Prior to the Reorganisation, the entire equity interests of Lap Kei and Wealth E & M were directly held by two individuals, namely Mr. Wong and Ms. So, (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

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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 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.

For the purpose of preparing and presenting the financial information for the Track Record Period, the Group has consistently adopted all these new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKAS”) amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for accounting periods beginning on 1 January 2015 throughout the Track Record Period.

FACTORS AFFECTING THE GROUP’S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group’s results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed “Risk factors” in this document and as set out below:

Market demand

The Group’s results of operations are directly affected by the Group’s revenue which depends on the market demand for its building services engineering works. Market demand for the Group’s services is affected by the number and availability of building services in private property and other macroeconomic factors. During the Track Record Period, the Group’s revenue was significantly influenced by the size and number of building services engineering projects undertaken by the Group.

Costs and availability of engineering staff in Hong Kong

The Directors consider that the Group’s in-house team of engineering staff is crucial to the day-to-day operations and the continuing success of the Group. The costs of engineering staff may be affected by the demand and supply of engineers in Hong Kong as well as other economic factors such as

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inflation rate and general standard of living. There is no guarantee that the supply of engineers in Hong Kong will remain stable. Any significant increase or decrease in the overall supply of or demand for engineers in Hong Kong may materially affect the costs of the Group's operations and the quality of services. In the event that the Group fails to retain its existing engineering staff and/or recruit sufficient and capable engineering staff in a timely manner for the existing or future projects and/or there is a significant increase in the engineering staff costs, the operations and profitability may be materially and adversely affected.

Performance and availability of the subcontractors

The Group may engage subcontractors to perform site works based on the engineering designs and the Group does not maintain substantial direct labours or machinery for performing all the site works. Notwithstanding the evaluation and selection of subcontractors, there is no assurance that the work quality of the subcontractors can always meet the Group's requirements. Outsourcing exposes the Group to the risks associated with non-performance, delayed performance or sub-standard performance by the Group's subcontractors. As a result, the Group may incur additional costs or be subject to liability under the relevant contracts between the Group and its customers for subcontractors' unsatisfactory performance. Such events could impact upon the Group's profitability, financial performance and reputation. 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 also be adversely affected.

Accuracy in the estimation of time and costs involved in projects when providing fee quotes

The Group needs to estimate the time and costs involved in a project in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key engineering staff involved in the project, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect the Group's profit margin and results of operations.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Group's financial position and results of operations as included in this document is based on the combined financial statements prepared using the significant accounting policies set forth in Note 3 to the Accountants' Report set out in Appendix I to this document, which conform with the HKFRS.

Below is a summary of certain significant accounting policies that the Group believes are important to the presentation of its financial results and positions. The Group also has other accounting policies that the Group considers to be significant, the details of which are set forth in Note 3 to the Accountants' Report set out in Appendix I to this document.

FINANCIAL INFORMATION

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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, in respect of which the Group is required to provide maintenance services for existing building services systems of a property/a portfolio of properties over a fixed contract period, 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

The methods of revenue recognition for a building services engineering contract where the outcome can be estimated reliably and where the outcome cannot be estimated reliably are different. When the outcome of a building services engineering contract can be estimated reliably, such as (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; and (iii) the costs to complete the contract and the stage of completion can be measured 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.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect whether any provision is required for foreseeable losses. The estimates are made based on past experience and knowledge of the project management.

Provision is made for foreseeable losses as soon as they are anticipated by management. 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.

FINANCIAL INFORMATION

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 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.

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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.

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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 of the Appendix I in this document, 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\$35.7 million HK\$40.8 million and HK\$39.8 million respectively.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out the Group's combined statements of comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I to this document:

	Year ended 31 December		Three-month period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Revenue	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	<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	<u>(3,621)</u>	<u>(4,787)</u>	<u>(508)</u>	<u>(1,600)</u>
Profit and total comprehensive income for the year/period	<u><u>16,863</u></u>	<u><u>24,253</u></u>	<u><u>2,579</u></u>	<u><u>8,109</u></u>

Revenue

The Group's revenue represents the amount received and receivable for revenue arising from building services engineering projects and maintenance projects during the Track Record Period.

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	For the year ended 31 December				For the three-month period ended 31 March			
	2013		2014		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Building services								
engineering projects	127,400	87.6	118,360	87.4	21,340	84.6	37,377	86.1
Maintenance projects	<u>18,105</u>	<u>12.4</u>	<u>17,133</u>	<u>12.6</u>	<u>3,883</u>	<u>15.4</u>	<u>6,020</u>	<u>13.9</u>
	<u>145,505</u>	<u>100.0</u>	<u>135,493</u>	<u>100.0</u>	<u>25,223</u>	<u>100.0</u>	<u>43,397</u>	<u>100.0</u>

(Unaudited)

Revenue in respect of the building services engineering projects is recognised based on the percentage of completion method, measured by reference to the value of work certified during the year/period. In a typical project, based on the amount of work completed, the Group makes progress payment application to the customer pursuant to the terms of the contract which sets out the amount and value of work done. Upon receiving the progress payment application, the customer or its consultant will examine the portion of work completed and would issue a payment certificate after the examination. The Group will then proceed to invoice the customer with the payment certificate received.

Revenue in respect of maintenance projects is recognised when the related services are rendered to the customer.

The following table sets out the range of revenue recognised of the 62, 63 and 16 building services engineering projects with revenue contribution during the year ended 31 December 2013 and 2014 and during the three-month period ended 31 March 2015 respectively.

	Revenue recognised during the year/period per building services engineering project with revenue contribution			
	During the year ended 31 December		During the three-month period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maximum	23,444	21,492	3,558	12,908
Minimum	1	1	3	1
Average	2,055	1,879	762	2,336

(Unaudited)

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The following table sets out the range of revenue recognised of the 120, 109 and 45 maintenance projects with revenue contribution during the year ended 31 December 2013 and 2014 and during the three month period ended 31 March 2015 respectively.

	Revenue recognised during the year/period per maintenance project with revenue contribution			
	During the year ended 31 December		During the three-month period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Maximum	1,538	2,166	796	1,046
Minimum	1	1	1	1
Average	151	157	78	134

The average contract sum per building services engineering project was approximately HK\$2.3 million, HK\$6.7 million and HK\$8.5 million for the year ended 31 December 2013 and 31 December 2014 and for the three-month period ended 31 March 2015 respectively. During the Track Record Period, contract sum of maintenance projects were generally below HK\$1 million, save for four projects which contract sum range from approximately HK\$1.1 million to HK\$2.5 million.

Cost of sales

	For the year ended 31 December				For the three-month period ended 31 March			
	2013		2014		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Subcontracting charges	45,044	38.1	49,167	49.7	6,259	31.1	9,922	32.1
Material and equipment costs	37,889	32.1	33,149	33.5	8,716	43.3	12,021	38.9
Direct labour costs	23,085	19.5	22,967	23.2	5,407	26.8	6,118	19.8
Others	3,453	2.9	4,087	4.1	739	3.7	803	2.7
Actual contract costs	109,471	92.6	109,370	110.5	21,121	104.9	28,864	93.5
Add: Net movement of amounts due from (to) customers for contract work	8,742	7.4	(10,460)	(10.5)	(978)	(4.9)	2,013	6.5
Cost of Sales	<u>118,213</u>	<u>100</u>	<u>98,910</u>	<u>100</u>	<u>20,143</u>	<u>100</u>	<u>30,877</u>	<u>100</u>

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The net movement of amounts due from (to) customers from contract work arises as a result of the timing difference between incurred cost and cost attributable to revenue, whereas both revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Therefore, the cost of sales represents costs attributable to the revenue recognised during the respectation year/period.

Cost of sales primarily comprises:

- (i) Subcontracting fees represent the fees paid and payable to subcontractors who provide site works for the completion of the building services engineering projects and maintenance projects. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting charges	+5%	+10%	-5%	-10%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in profit before tax				
Year ended 31 December 2013	(2,252)	(4,504)	2,252	4,504
Year ended 31 December 2014	(2,458)	(4,917)	2,458	4,917
Three-month period ended 31 March 2014	(313)	(626)	313	626
Three-month period ended 31 March 2015	(496)	(992)	496	992
Change in profit after tax				
Year ended 31 December 2013	(1,880)	(3,761)	1,880	3,761
Year ended 31 December 2014	(2,052)	(4,106)	2,052	4,106
Three-month period ended 31 March 2014	(261)	(523)	261	523
Three-month period ended 31 March 2015	(414)	(828)	414	828

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- (ii) Material and equipment costs mainly include the purchases of equipment and material being installed/utilised in the Group's building services engineering projects and maintenance projects. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's material costs on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in material and equipment costs	+5%	+10%	-5%	-10%
Change in profit before tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	(1,894)	(3,789)	1,894	3,789
Year ended 31 December 2014	(1,657)	(3,315)	1,657	3,315
Three-month period ended 31 March 2014	(436)	(872)	436	872
Three-month period ended 31 March 2015	(601)	(1,202)	601	1,202
Change in profit after tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	(1,581)	(3,164)	1,581	3,164
Year ended 31 December 2014	(1,384)	(2,768)	1,384	2,768
Three-month period ended 31 March 2014	(364)	(728)	364	728
Three-month period ended 31 March 2015	(502)	(1,004)	502	1,004

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- (iii) Direct labour costs represent compensation and benefits provided to the staff of the Group's project team and direct workers who are directly involved in the provision of the Group's services. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's direct labour costs on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in direct

labour costs	+5%	+10%	-5%	-10%
Change in profit before tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	(1,154)	(2,309)	1,154	2,309
Year ended 31 December 2014	(1,148)	(2,297)	1,148	2,297
Three-month period ended 31 March 2014	(270)	(541)	270	541
Three-month period ended 31 March 2015	(306)	(612)	306	612
Change in profit after tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	(964)	(1,928)	964	1,928
Year ended 31 December 2014	(959)	(1,918)	959	1,918
Three-month period ended 31 March 2014	(225)	(452)	225	452
Three-month period ended 31 March 2015	(256)	(511)	256	511

Gross profit margin

The table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by business segment:

	For the year ended 31 December		For the year ended 31 December		For the three-month period ended 31 March		For the three-month period ended 31 March	
	2013	2014	2014	2015	2014	2015	2014	2015
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin	margin	margin
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	%	%	%	%	%	%	%	%
Building services								
engineering projects	19,875	15.6	30,257	25.6	3,480	16.3	9,529	25.5
Maintenance projects	7,417	41.0	6,326	36.9	1,600	41.2	2,991	49.7
	<u>27,292</u>	<u>18.8</u>	<u>36,583</u>	<u>27.0</u>	<u>5,080</u>	<u>20.1</u>	<u>12,520</u>	<u>28.8</u>

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Gross profit for each business segment is calculated as segment revenue minus cost of sales allocated to the segment. Segment cost of sales mainly includes subcontracting charges, direct labour costs and material costs.

Gross project margin of maintenance projects are generally higher than that of building services engineering projects because, due to the business nature of the maintenance projects, the Group mainly relies on its engineering departments in the provision of the services, and did not require a substantial amount of materials and external services such as subcontracting, unlike building services engineering projects which may require a significant amount of materials and subcontracting.

Please refer to the section “Financial information — Period-to-period comparison of results of operations” below for a discussion of the fluctuation of the Group’s gross profit margin during the Track Record Period.

Other income

The table below sets forth a breakdown of the Group’s other income by nature during the Track Record Period:

	For the year ended		For the three-month	
	31 December		period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)			
Bank interest income	1	14	3	11
Interest on a deposit paid for a life insurance policy	16	13	4	3
Reimbursement of employee’s compensation insurance	214	327	—	—
Others	178	24	18	—
	409	378	25	14

The other income of the Group mainly comprises the reimbursement of employee’s compensation insurance which agreed and received in relation to compensation of workers for injury for the year/period.

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Administrative expenses

The table below sets forth a breakdown of the Group’s administrative and other operating expenses by nature during the Track Record Period:

	For the year ended		For the three-month	
	31 December		period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			(Unaudited)	
Staff costs, including directors’ emoluments	3,094	3,605	855	851
Entertainment	253	387	285	733
Auditors’ remuneration	131	700	53	175
Depreciation of property, plant and equipment	760	543	167	147
Operating lease rentals in respect of office premises	414	432	108	108
Travelling expenses	512	386	80	64
Property management fee	147	155	39	39
Legal and professional fee	344	108	63	23
Other expenses	<u>1,277</u>	<u>1,412</u>	<u>314</u>	<u>647</u>
	<u>6,932</u>	<u>7,728</u>	<u>1,964</u>	<u>2,787</u>

The administrative and other operating expenses mainly comprise:

- (i) staff costs (including directors’ emoluments), which include salaries and benefits provided to Mr. Wong, Ms. So and administrative staff;
- (ii) entertainment expenses, which mainly include costs incurred to maintain relationship with the Group’s existing and potential customers and suppliers;
- (iii) auditors’ remuneration, which are fees to the auditors;
- (iv) depreciation of property, plant and equipment, which is the depreciation of the Group’s leasehold land and buildings, leasehold improvement, furniture, fixtures and office equipment;
- (v) operating lease rental on premises, which represents rental expenses for the Group’s rented premises;
- (vi) travelling expenses, which represents expenses for travelling incurred by the Directors and staff;
- (vii) property management fee, which represents the management fee for office premiums;

FINANCIAL INFORMATION

- (viii) legal and professional fee, which mainly includes fees paid for legal services and tax filing services obtained by the Group; and
- (ix) other expenses, which mainly includes the office expenses.

Finance cost

The Group’s finance cost during each of the Track Record Period is as below:

	For the year ended		For the three-month	
	31 December		period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			(Unaudited)	
Interest on bank borrowings wholly repayable within five years	<u>285</u>	<u>193</u>	<u>54</u>	<u>38</u>

Income tax expenses

The Group is subject to Hong Kong Income Tax at a rate of 16.5% for the Track Record Period. The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	For the year ended		For the three-month	
	31 December		period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			(Unaudited)	
Profit before tax	<u>20,484</u>	<u>29,040</u>	<u>3,087</u>	<u>9,709</u>
Tax charge 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 expenses not deductible for tax purpose	81	—	—	—
Underprovision in prior year	<u>163</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,621</u>	<u>4,787</u>	<u>508</u>	<u>1,600</u>

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COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

The revenue of the Group decreased from approximately HK\$145.5 million for the year ended 31 December 2013 to approximately HK\$135.5 million for the year ended 31 December 2014, representing a decrease of approximately 6.9% as follows:

	For the year ended		Change
	31 December		
	2013	2014	
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Building services engineering projects	127,400	118,360	(7.1)
Maintenance projects	18,105	17,133	(5.4)
Total revenue	145,505	135,493	(6.9)

The decrease in total revenue was mainly attributable to a decrease in revenue from building services engineering projects of approximately HK\$127.4 million for the year ended 31 December 2013 to approximately HK\$118.3 million for the year ended 31 December 2014 and a decrease in revenue from maintenance projects of approximately HK\$18.1 million for the year ended 31 December 2013 to approximately HK\$17.1 million for the year ended 31 December 2014.

The decrease in revenue from building services engineering projects was mainly attributable to the revenue recognised from Customer A decrease from approximately HK\$23.4 million for the year ended 31 December 2013 to approximately HK\$4.5 million for the year ended 31 December 2014 due to the Group had achieved significant completion of this project (around 80% of completion or above as at 31 December 2013).

The decrease in revenue from maintenance projects was mainly due to decrease in number of projects together with drop in average project sum. As discussed in the section headed “Business — Contracts entered into and projects undertaken during the Track Record Period” in this document, the number of maintenance projects with engagement confirmed decreased from 69 for the year ended 31 December 2013 to 66 for the year ended 31 December 2014. The average contract sum per project with engagement confirmed for maintenance projects decreased from approximately HK\$149,000 for the year ended 31 December 2013 to approximately HK\$133,000 for the year ended 31 December 2014.

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Cost of sales

The cost of sales of the Group decreased from approximately HK\$118.2 million for the year ended 31 December 2013 to approximately HK\$98.9 million for the year ended 31 December 2014 which represented a decrease of approximately 16.3% as follows:

	Total			Building services engineering projects			Maintenance projects		
	For the year ended 31 December		Change	For the year ended 31 December		Change	For the year ended 31 December		Change
	2013	2014		2013	2014		2013	2014	
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Subcontracting charges	45,044	49,167	9.2	43,235	46,618	7.8	1,809	2,549	40.9
Material and equipment costs	37,889	33,149	(12.5)	36,539	31,576	(13.6)	1,350	1,573	16.5
Direct labour costs	23,085	22,967	(0.5)	17,315	17,147	(1.0)	5,770	5,820	0.9
Others	3,453	4,087	18.4	1,694	3,222	90.2	1,759	865	(50.8)
Actual contract costs	109,471	109,370	(0.1)	98,783	98,563	(0.2)	10,688	10,807	1.1
Add: Net movement of amounts due from (to) customers for contract work	8,742	(10,460)	(219.7)	8,742	(10,460)	(219.7)	—	—	—
Cost of sales	<u>118,213</u>	<u>98,910</u>	<u>(16.3)</u>	<u>107,525</u>	<u>88,103</u>	<u>(18.1)</u>	<u>10,688</u>	<u>10,807</u>	<u>1.1</u>

The decrease in cost of sales was mainly due to a decrease in cost of sales relating to building services engineering projects of approximately HK\$107.5 million for the year ended 31 December 2013 to approximately HK\$88.1 million for the year ended 31 December 2014 and was partly offset by a slight increase in cost of sales relating to maintenance projects of approximately HK\$10.7 million for the year ended 31 December 2013 to approximately HK\$10.8 million for the year ended 31 December 2014.

The decrease in cost of sales relating to building services engineering projects of approximately 18.1% was mainly due to the decrease in revenue for the year ended 31 December 2014 as compared to the year ended 31 December 2013.

The cost of sales relating to maintenance projects remained relatively stable for the two years ended 31 December 2013 and 2014. The reason of stable cost of sales relating to maintenance projects was mainly due to stable staff costs of the Group's maintenance project division.

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Gross profit and gross profit margin

The Group's total gross profit increased from approximately HK\$27.3 million for the year ended 31 December 2013 to approximately HK\$36.6 million for the year ended 31 December 2014, of which gross profit for building services engineering projects increased from approximately HK\$19.9 million for the year ended 31 December 2013 to approximately HK\$30.3 million for the year ended 31 December 2014, and gross profit for maintenance projects decreased from approximately HK\$7.4 million for the year ended 31 December 2013 to approximately HK\$6.3 million for the year ended 31 December 2014.

The Group's gross profit margin increased from approximately 18.8% for the year ended 31 December 2013 to approximately 27.0% for the year ended 31 December 2014. Such increase was mainly due to an increase in gross profit margin for building services engineering projects which was partly offset by a decrease in gross profit margin for maintenance projects.

The increase in gross profit margin for building services engineering projects was mainly attributable to (i) the building services engineering project for Customer G had a higher gross profit margin of over 55% for the year ended 31 December 2014 as compared to the Group's overall gross profit margin of approximately 18.8% for the year ended 31 December 2013; and (ii) the building services engineering project related to a private hospital for Customer F had a higher gross profit margin of over 40% due to receiving of more profitable work orders in relation to MVAC and electrical installation during the year ended 31 December 2014.

The decrease in gross profit margin for maintenance projects was mainly due to the average contract sum per project with engagement confirmed decreased from approximately HK\$149,000 for the year ended 31 December 2013 to approximately HK\$133,000 for the year ended 31 December 2014 and the cost of sales remained stable for the two years ended 31 December 2013 and 2014.

Other income

The other income of the Group decreased from approximately HK\$409,000 for the year ended 31 December 2013 to approximately HK\$378,000 for the year ended 31 December 2014 which was primarily due to a decrease in miscellaneous income partly offset by an increase in reimbursement of employee's compensation insurance for the year ended 31 December 2014.

Administrative expenses

The administrative expenses of the Group increased from approximately HK\$6.9 million for the year ended 31 December 2013 to approximately HK\$7.7 million for the year ended 31 December 2014, representing an increase of approximately HK\$0.8 million or approximately 11.6%.

Such increase was primarily due to increase in auditors' remuneration of approximately HK\$131,000 for the year ended 31 December 2013 to approximately HK\$700,000 for the year ended 31 December 2014 due to change in the Group's auditor and increase in staff costs, including directors' emoluments from approximately HK\$3.1 million for the year ended 31 December 2013 to approximately HK\$3.6 million for the year ended 31 December 2014 due to the increase in staff bonuses for the year ended 31 December 2014.

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Finance costs

The finance costs decreased from approximately HK\$285,000 for the year ended 31 December 2013 to approximately HK\$193,000 for the year ended 31 December 2014, representing a decrease of approximately 32.2% decrease. The decrease in finance costs was mainly attributable to the decrease in level of bank borrowings from approximately HK\$9.7 million as at 31 December 2013 to approximately HK\$7.6 million as at 31 December 2014.

Profit before taxation

As a result of the foregoing, profit before taxation increased by approximately 41.5% from approximately HK\$20.5 million for the year ended 31 December 2013 to approximately HK\$29.0 million for the year ended 31 December 2014.

Income tax expense

The Group's income tax expense increased by approximately 32.2% from approximately HK\$3.6 million for the year ended 31 December 2013 to approximately HK\$4.8 million for the year ended 31 December 2014. The increase was mainly attributable to (i) the increase in profit before taxation from approximately HK\$20.5 million for the year ended 31 December 2013 to approximately HK\$29.0 million for the year ended 31 December 2014; and (ii) decrease in tax effect of expenses not deductible for tax purpose and underprovision in prior year from approximately HK\$244,000 for the year ended 31 December 2013 to nil for the year ended 31 December 2014

Profit for the year

The Group's profit for the year increased by approximately 43.8% from approximately HK\$16.9 million for the year ended 31 December 2013 to approximately HK\$24.3 million for the year ended 31 December 2014, which was mainly due to the combined effect of abovementioned items.

Three-month period ended 31 March 2015 compared to three-month period ended 31 March 2014

Revenue

The revenue of the Group increased from approximately HK\$25.2 million for the three-month period ended 31 March 2014 to approximately HK\$43.4 million for the three-month period ended 31 March 2015, representing an increase of approximately 72.1% as follows:

	For the three-month period ended 31 March		Change %
	2014	2015	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(Unaudited)		
Building services engineering projects	21,340	37,377	75.1
Maintenance projects	3,883	6,020	55.0
Total revenue	25,223	43,397	72.1

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The increase in total revenue was mainly attributable to an increase in revenue from building services engineering projects of approximately HK\$21.3 million for the three-month period ended 31 March 2014 to approximately HK\$37.4 million for the three-month period ended 31 March 2015 and an increase in revenue from maintenance projects of approximately HK\$3.9 million for the three-month period ended 31 March 2014 to approximately HK\$6.0 million for the three-month period ended 31 March 2015.

The increase in revenue from building services engineering projects was mainly attributable to:

- (i) revenue of approximately HK\$12.9 million recognised for the aforesaid building services engineering project with Customer G for the three-month period ended 31 March 2015 and nil was recognised for the three-month period ended 31 March 2014 since this project commenced in the second quarter of 2014;
- (ii) Revenue of approximately HK\$12.7 million recognised for the building services engineering project with Customer H for the three-month period ended 31 March 2015 due to this project commenced in the second half of 2014.

The increase in revenue from maintenance projects was mainly due to increase in average revenue recognised during the period per project. As discussed in the section headed "Business — Projects undertaken during the Track Record Period" in this document, the average revenue recognised during the period per maintenance project increased from approximately HK\$78,000 for the three-month period ended 31 March 2014 to approximately HK\$134,000 for the three-month period ended 31 March 2015.

Cost of sales

The cost of sales of the Group increased from approximately HK\$20.1 million for the three-month period ended 31 March 2014 to approximately HK\$30.9 million for the three-month period ended 31 March 2015 which represented an increase of approximately 53.3% as follows:

	Total		Change %	Building services engineering projects			Maintenance projects		
	For the three-month period ended 31 March			For the three-month period ended 31 March		For the three-month period ended 31 March		Change	
	2014	2015		2014	2015	2014	2015	2014	2015
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Subcontracting charges	6,259	9,922	58.5	5,726	9,253	61.6	533	669	25.5
Material and equipment costs	8,716	12,021	37.9	8,438	11,357	34.6	278	664	138.8
Direct labour costs	5,407	6,118	13.1	4,200	4,630	10.2	1,207	1,488	23.3
Others	739	803	8.7	474	595	25.5	265	208	(21.5)
Actual contract costs	21,121	28,864	36.7	18,838	25,835	37.1	2,283	3,029	32.7
Add: Net movement of amounts due from (to) customers for contract work	(978)	2,013	(305.8)	(978)	2,013	(305.8)	—	—	—
Cost of sales	<u>20,143</u>	<u>30,877</u>	<u>53.3</u>	<u>17,860</u>	<u>27,848</u>	<u>55.9</u>	<u>2,283</u>	<u>3,029</u>	<u>32.7</u>

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The increase in cost of sales was mainly due to an increase in cost of sales relating to building services engineering projects of approximately HK\$17.9 million for the three-month period ended 31 March 2014 to approximately HK\$27.8 million for the three-month period ended 31 March 2015 and a slight increase in cost of sales relating to maintenance projects of approximately HK\$2.3 million for the three-month period ended 31 March 2014 to approximately HK\$3.0 million for the three-month period ended 31 March 2015.

The increase in cost of sales relating to building services engineering projects of approximately 55.9% was mainly due to the increase in actual contract costs from approximately HK\$18.8 million for the three month period ended 31 March 2014 to approximately HK\$25.8 million for the three month period ended 31 March 2015 which is attributable to the increase in revenue.

The increase in cost of sales relating to maintenance projects of approximately 32.7% was mainly due to the increase in number of maintenance projects which leads to the increase in cost of sales. As discussed in the section headed “Business — Projects undertaken during the Track Record Period” in this document, the number of maintenance projects with engagement confirmed increased from 12 for the three-month period ended 31 March 2014 to 17 for the three-month period ended 31 March 2015.

Gross profit and gross profit margin

The Group’s total gross profit increased from approximately HK\$5.1 million for the three-month period ended 31 March 2014 to approximately HK\$12.5 million for the three-month period ended 31 March 2015, of which gross profit for building services engineering projects increased from approximately HK\$3.5 million for the three-month period ended 31 March 2014 to approximately HK\$9.5 million for the three-month period ended 31 March 2015, and gross profit for maintenance projects increased from approximately HK\$1.6 million for the three-month period ended 31 March 2014 to approximately HK\$3.0 million for the three-month period ended 31 March 2015.

The Group’s gross profit margin increased from approximately 20.1% for the three-month period ended 31 March 2014 to approximately 28.8% for the three-month period ended 31 March 2015. Such increase was mainly due to an increase in gross profit margin for both building services engineering projects and maintenance projects.

The increase in gross profit margin for building services engineering projects was mainly due to the aforesaid engineering project for customer G which had a higher gross profit margin of over 55% for the three-month period ended 31 March 2015 as compared with the Group’s overall gross profit margin of approximately 20.1% for the three-month period ended 31 March 2014 whereas nil was recognised for the aforesaid building services engineering project for the three-month period ended 31 March 2014 since this project commenced in the second quarter of 2014.

The increase in gross profit margin for maintenance projects was mainly attributable to the increase in revenue exceed the increase in cost of sales due to the average revenue recognised during the period per maintenance project increased from approximately HK\$78,000 for the three-month period ended 31 March 2014 to approximately HK\$134,000 for the three-month period ended 31 March 2015 and the cost of sales mainly consists of staff costs of in-house workers.

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Other income

The other income of the Group decreased from approximately HK\$25,000 for the three-month period ended 31 March 2014 to approximately HK\$14,000 for the three-month period ended 31 March 2015.

Administrative expenses

The administrative expenses of the Group increased from approximately HK\$2.0 million for the three-month period ended 31 March 2014 to approximately HK\$2.8 million for the three-month period ended 31 March 2015, representing an increase of approximately HK\$0.8 million or approximately 40.0%.

Such increase was primarily due to the increase in entertainment of approximately HK\$285,000 for the three-month period ended 31 March 2014 to approximately HK\$733,000 for the three-month period ended 31 March 2015 due to the increase in customer relationship activities for the expansion of the Group's business.

Finance costs

The finance costs decreased from approximately HK\$54,000 for the three-month period ended 31 March 2014 to approximately HK\$38,000 for the three-month period ended 31 March 2015, representing a decrease of approximately 29.6% decrease. The decrease in finance costs was mainly attributable to the decrease in level of bank borrowings from approximately HK\$9.7 million as at 31 December 2013 to approximately HK\$6.8 million as at 31 March 2015.

Profit before taxation

As a result of the foregoing, profit before taxation increased by approximately 212.9% from approximately HK\$3.1 million for the three-month period ended 31 March 2014 to approximately HK\$9.7 million for the three-month period ended 31 March 2015.

Income tax expense

The Group's income tax expense increased by approximately 215.0% from approximately HK\$508,000 for the three-month period ended 31 March 2014 to approximately HK\$1.6 million for the three-month period ended 31 March 2015. The increase was mainly attributable to the increase in profit before taxation from approximately HK\$3.1 million for the three-month period ended 31 March 2014 to approximately HK\$9.7 million for the three-month period ended 31 March 2015.

Profit for the year

The Group's profit for the year increased by approximately 211.5% from approximately HK\$2.6 million for the three-month period ended 31 March 2014 to approximately HK\$8.1 million for the three-month period ended 31 March 2015, which was mainly due to the combined effect of abovementioned items.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows and borrowings from banks and related parties. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

Cash flows

The following table set forth selected cash flows data from the Group's combined statements of cash flows for the years/periods indicated:

	For the year ended		For the three-month	
	31 December		period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
Net cash from (used in) operating activities	15,564	41,991	5,077	(8,868)
Net cash (used in) from investing activities	(2,461)	(15,158)	3	11
Net cash used in financing activities	(4,588)	(2,316)	(579)	(835)
Net increase (decrease) in cash and cash equivalents	8,515	24,517	4,501	(9,692)
Cash and cash equivalent at beginning of the year/period	1,033	9,548	9,548	34,065
Cash and cash equivalent at end of the year/period	9,548	34,065	14,049	24,373

Net cash from (used in) operating activities

For the year ended 31 December 2013, the Group recorded net cash from operating activities of approximately HK\$15.6 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$21.5 million, decrease in amounts due from customers for contract works of approximately HK\$9.6 million, increase in trade and other payables of approximately HK\$2.3 million, increase in amounts due to customers for contract work of approximately HK\$54,000 and decrease in inventories of approximately HK\$13,000 which is partly offset by increase in trade and other receivables of approximately HK\$16.2 million, decrease in amount due to a related party of approximately HK\$5,000 and income tax paid of approximately HK\$1.6 million.

For the year ended 31 December 2014, the Group recorded net cash from operating activities of approximately HK\$42.0 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$29.7 million, increase in trade and other payables of HK\$26.1 million, decrease in inventories of approximately HK\$28,000 and increase in amount due to a related

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party of approximately HK\$211,000 which is partly offset by increase in amounts due from customers for contract works of approximately HK\$6.1 million, decrease in amounts due to customers for contract works of approximately HK\$197,000, increase in trade and other receivables of approximately HK\$5.2 million and income tax paid of approximately HK\$2.5 million.

For the three-month period ended 31 March 2015, the Group recorded net cash used in operating activities of approximately HK\$8.9 million, primarily as a result of increase in inventories of approximately HK\$4,000 and increase in amounts due from customers for contract works of approximately HK\$6.9 million and decrease in trade and other payables of approximately HK\$13.1 million which is partly offset by operating cash flows before movements in working capital of approximately HK\$9.9 million, increase in amounts due to customers for contract works of approximately HK\$867,000, decrease in trade and other receivables of approximately HK\$321,000 and increase in amount due to a related party of approximately HK\$102,000.

The Group recorded higher net cash generated from operating activities for the year ended 31 December 2014 than that for the year ended 31 December 2013 despite higher profit before taxation, which was mainly due to the increase in trade and other payables partly offset by the increase in trade and other receivables and increase in amounts due from customers for contract work. Further discussion on these items are set out in the section headed "Financial information — Net current assets" below.

The Group recorded higher profit before taxation for the three-month period ended 31 March 2015 than that for three-month period ended 31 March 2014. Nevertheless, the Group recorded net cash used in operating activities for the three-month period ended 31 March 2015 mainly because of the decrease in trade and other payables and increase in amounts due from customers for contract work.

Net cash (used in) from investing activities

For the year ended 31 December 2013, the Group recorded net cash from investing activities of approximately HK\$2.5 million, which mainly represents advance to a director.

For the year ended 31 December 2014, the Group recorded net cash used in investing activities of approximately HK\$15.2 million, primarily as a result of advance to a director of approximately HK\$14.5 million and purchase of property, plant and equipment of approximately HK\$1.8 million, which is partly offset by repayment from a director of approximately HK\$1.1 million and interest received of approximately HK\$14,000.

For the three-month period ended 31 March 2015, the Group recorded net cash from investing activities of approximately HK\$11,000, which solely presents interest received.

Net cash used in financing activities

For the year ended 31 December 2013, the Group recorded net cash used in financing activities of approximately HK\$4.6 million, primarily as a result of repayment to a director of approximately HK\$3.7 million, repayment of bank borrowings of approximately HK\$3.8 million, interest paid of approximately HK\$285,000, which is partly offset by bank borrowings raised of approximately HK\$3.0 million and advance from a director of approximately HK\$150,000.

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For the year ended 31 December 2014, the Group recorded net cash used in financing activities of approximately HK\$2.3 million, primarily as a result of repayment of bank borrowings of approximately HK\$2.1 million and interest paid of approximately HK\$193,000.

For the three-month period ended 31 March 2015, the Group recorded net cash used in financing activities of approximately HK\$835,000, primarily as a result of repayment of bank borrowings of approximately HK\$797,000 and interest paid of approximately HK\$38,000.

NET CURRENT ASSETS

The following table sets forth the breakdown of the Group's current assets and liabilities as at the dates indicated:

	As at 31 December		As at 31 March	As at 30 April
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
Current assets				
Inventories — raw materials and consumables	64	36	40	41
Amounts due from customers for contract work	17,543	23,646	30,518	27,983
Trade and other receivables	37,245	42,467	42,146	51,860
Amount due from a director	2,462	10,711	711	711
Bank balances and cash	9,548	34,651	24,373	12,816
	66,862	111,511	97,788	93,411
Current liabilities				
Amounts due to customers for contract work	1,865	1,668	2,535	4,353
Trade and other payables	20,496	46,546	33,383	27,970
Dividend payable	—	—	12,002	12,002
Amount due to a related party	—	211	313	214
Tax payable	2,510	4,772	6,372	6,372
Bank borrowings	9,686	7,563	6,766	6,702
Bank overdrafts	—	586	—	—
	34,557	61,346	61,371	57,613
Net current assets	32,305	50,165	36,417	35,798

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As at 31 December 2013, the Group recorded net current assets of approximately HK\$32.3 million. The key components of the Group's current assets as at 31 December 2013 included amounts due from customers for contract work of approximately HK\$17.5 million, trade and other receivables of approximately HK\$37.2 million, amount due from a director of approximately HK\$2.5 million, and bank balances and cash of approximately HK\$9.5 million. The key components of the Group's current liabilities as at 31 December 2013 included trade and other payables of approximately HK\$20.5 million, tax payable of approximately HK\$2.5 million and borrowings of approximately HK\$9.7 million.

As at 31 December 2014, the Group recorded net current assets of approximately HK\$50.2 million. The key components of the Group's current assets as at 31 December 2014 included amounts due from customers for contract work of approximately HK\$23.6 million, trade and other receivables of approximately HK\$42.5 million, amount due from a director of approximately HK\$10.7 million and bank balances and cash of approximately HK\$34.7 million. The key components of the Group's current liabilities as at 31 December 2014 included amounts due to customers for contract works of approximately HK\$1.7 million, trade and other payables of approximately HK\$46.5 million, amount due to a related party of approximately HK\$211,000, tax payable of approximately HK\$4.8 million, bank overdrafts of approximately HK\$586,000 and borrowings of approximately HK\$7.6 million.

The increase in the Group's net current assets as at 31 December 2014 compared to that as at 31 December 2013 was mainly due to increase in current assets from approximately HK\$66.9 million as at 31 December 2013 to approximately HK\$111.5 million as at 31 December 2014, which was in turn mainly due to the increase in amounts due from customers for contract works, trade and other receivables, amount due from a director and bank balances and cash partly off-set by and increase in trade and other payables and tax payables.

As at 31 March 2015, the Group recorded net current assets of approximately HK\$36.4 million. The key components of the Group's current assets as at 31 March 2015 included amounts due from customers for contract work of approximately HK\$30.5 million, trade and other receivables of approximately HK\$42.1 million, amount due from a director of approximately HK\$711,000 and bank balances and cash of approximately HK\$24.4 million. The key components of the Group's current liabilities as at 31 March 2015 included amounts due to customers for contract works of approximately HK\$2.5 million, trade and other payables of approximately HK\$33.4 million, dividend payable of approximately HK\$12.0 million, amount due to a related party of approximately HK\$313,000, tax payable of approximately HK\$6.4 million and borrowings of approximately HK\$6.8 million.

The decrease in the Group's net current assets as at 31 March 2015 compared to that as at 31 December 2014 was mainly due to the decrease in current assets from approximately HK\$111.5 million as at 31 December 2014 to approximately HK\$97.8 million as at 31 March 2015, which was in turn mainly attributable to decrease in amounts due from a director as well as bank balances and cash from the payment of dividend while the level of current liabilities maintained at similar level as at 31 December 2014 and 31 March 2015.

As at 30 April 2015, being the latest practicable date for ascertaining the Group's net current assets position, the Group recorded net current assets of approximately HK\$35.8 million which is similar to the level of the net current assets of approximately HK\$36.4 million as at 31 March 2015

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INVENTORY ANALYSIS

The Group keeps a low level of inventories as most of the use of materials would be procured by the Group's subcontractors. The Group's inventories are raw materials and consumables and were HK\$64,000, HK\$36,000 and HK\$40,000 respectively as at 31 December 2013, 31 December 2014 and 31 March 2015.

TRADE AND OTHER RECEIVABLES ANALYSIS

Overview

The Group's trade and other receivables as at 31 December 2013 and 2014 and as at 31 March 2015 amounted to approximately HK\$37.2 million, HK\$42.5 million and HK\$42.1 million respectively, details of which are set out below:

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

The Group's trade and other receivables mainly comprise trade receivables and retention receivables. Trade receivables represent receivables from the Group's customers arising from the provision of engineering services and maintenance services for building services systems. Retention receivables represent retention money withheld by some of the Group's customers, usually retain up to 10% of each interim payment and capped at the rate of 5% of total contract sum. Retention receivables are released by the customers in accordance with the respective agreements with customers, which is released at the end of the defect liability period, which is in generally a twelve-month period.

The Group's trade and other receivables maintained stable from approximately HK\$37.2 million as at 31 December 2013 to approximately HK\$42.5 million as at 31 December 2014, representing an increase of approximately 14.0%. Such increase was mainly due to increase in trade receivables from approximately HK\$24.2 million as at 31 December 2013 to approximately HK\$31.6 million as at 31 December 2014, of which invoices being issued to Customer F amounted to approximately HK\$13.5 million as at 31 December 2014, as compared with that of approximately HK\$0.9 million as at 31 December 2013 as a result of higher amount of work done certified in the last quarter of 2014.

The Group's trade and other receivables remained stable as at 31 March 2015 comparing with that as at 31 December 2014.

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Aging analysis and subsequent settlement

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

Overdue payments (generally meaning trade receivables that remain outstanding for more than 30 days after the date of invoice) are monitored continuously and evaluated on a case-by-case basis with respect to the appropriate follow-up actions to be taken, taking into consideration the customer's normal payment practice and payment history, the Group's relationship with the customer and the then general economic environment. During the Track Record Period, follow-up actions by the Group for recovering overdue payments included issue of payment reminders and active communications with the customers.

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

	As at 31 December		As at
	2013	2014	31 March
	<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
Over 90 days	6,656	3,466	5,672
	24,242	31,609	29,076

The trade receivables aged between 31 days and 60 days increased significantly from approximately HK\$2.8 million as at 31 December 2013 to approximately HK\$12.7 million as at 31 December 2014, which was mainly due to the trade receivables of approximately HK\$8.1 million arising from the aforesaid project with Customer F as at 31 December 2014 that was past due for one month but was subsequently fully settled in the three-month period ended 31 March 2015.

Up to 30 April 2015, approximately 15.7% of the trades receivables as at 31 March 2015 had been subsequently settled.

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 approximately HK\$10.8 million, HK\$17.2 million and HK\$10.0 million, 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.

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Ageing of trade receivables which are past due but not impaired

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	2015
31–60 days	2,846	12,775	3,062
61–90 days	1,339	956	1,241
Over 90 days	6,656	3,466	5,672
	10,841	17,197	9,975

Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are neither past due but not impaired have good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

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.

The Group did not recognise the allowance for doubtful debts as at 31 December 2013 and 2014 and 31 March 2015 due to the majority of trade receivables relate to customers for whom there was no recent history of default.

Trade receivable turnover days

The following table sets out the trade receivables turnover days during the Track Record Period:

	As at 31 December		As at
	2013	2014	31 March
			2015
Trade receivables turnover days (<i>note</i>)	52	75	64

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year).

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The Group's trade receivables turnover days increased from approximately 52 days as at 31 December 2013 to approximately 75 days as at 31 December 2014 due to the invoices billing to Customer F of approximately HK\$0.9 million as at 31 December 2013 increased to approximately HK\$13.5 million as at 31 December 2014 as a result of higher amount of work done certified in last quarter of 2014. The trade receivable turnover days decreased from approximately 75 days as at 31 December 2014 to approximately 64 days as at 31 March 2015. Such decrease was mainly due to settlement of trade receivables arising from the building services engineering project with Customer F in the three-month period ended 31 March 2015.

Retention receivable

In determining the recoverability of 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 the reporting period. As at 31 December 2013 and 2014 and 31 March 2015, none of the retention receivables were individually determined to be impaired.

Retention receivables amounted to approximately HK\$11.5 million, HK\$9.2 million and HK\$10.8 million as at 31 December 2013 and 2014 and 31 March 2015 respectively. The Directors consider that the changes were generally consistent with the Group's business growth during the Track Record Period.

Up to 30 April 2015, none of retention receivables as at 31 March 2015 had been subsequently settled. In view of the nature of retention receivables, past payment records, and the Group's collection experience with these customers, the Directors consider that the outstanding balance of retention receivables is collectable.

TRADE PAYABLES ANALYSIS

The trade and other payables breakdown of the Group as at the end of each of the Track Record Period is as follows:

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

Trade payables mainly represent amounts payable to suppliers such as subcontracting charges and material costs.

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Retention payables represent the portion of account payable to the subcontractors that will be released by the Group at the end of the defect liability period, which is generally a twelve-month period. As at 31 December 2013 and 2014 and 31 March 2015, retention payables of approximately HK\$194,000, HK\$819,000 and HK\$1.1 million respectively were expected to be paid or settled after less than twelve months from the end of the corresponding reporting period.

Accruals operating expenses mainly consist of accruals for (i) subcontracting charges, which were not yet billed by the subcontractors; (ii) purchase cost of materials, which were not billed by the suppliers; (iii) staff salaries and allowances; and (iv) other office expenses.

The Group's trade payables increased from approximately HK\$14.5 million as at 31 December 2013 to approximately HK\$15.5 million as at 31 December 2014 which was primarily due to the increase in subcontracting charges for the year ended 31 December 2014 as compared with that for the year ended 31 December 2013 as a result of the execution of two projects of large contract sum with Customer G and Customer H in the second half of 2014.

The trade payables decreased from approximately HK\$15.5 million as at 31 December 2014 to approximately HK\$11.7 million as at 31 March 2015 mainly due to that the Group settled the trade payables of approximately HK\$2.5 million to Supplier B in the three-month period ended 31 March 2015.

Receipt in advances mainly represents the deposits paid by the customers for building services engineering projects. It increased from approximately HK\$74,000 as at 31 December 2013 to HK\$16.0 million as at 31 December 2014 mainly due to the deposit of approximately HK\$20.8 million paid by Customer G in 2014 which was partly utilised by the Group's work done during the year ended 31 December 2014. Receipt in advances further decreased to approximately HK\$10.0 million as at 31 March 2015 due to the higher amount of work done for the project with Customer G during the three month period ended 31 March 2015.

Ageing analysis of the Group's trade payables based on invoice dates at the end of each reporting period is as follows:

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
Over 90 days	1,843	1,205	1,010
	14,535	15,515	11,687

Up to 30 April 2015, approximately 48.4% of the trade payables as at 31 March 2015 had been subsequently settled.

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The following table sets out the trade payables turnover days during the Track Record Period:

	As at 31 December		As at
	2013	2014	31 March
			2015
Trade payable turnover days (<i>note</i>)	40.8	55.5	40.1

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year).

The Group's trade payable turnover days increased from approximately 40.8 days as at 31 December 2013 to approximately 55.5 days as at 31 December 2014 due to the relatively higher closing balance of trade payables as at 31 December 2014 and the cost of sales decreased for the year ended 31 December 2014 comparing with 31 December 2013 arising from the net movement of amounts due from(to) customers for contract work. The Group's trade payable turnover days decreased from approximately 55.5 days as at 31 December 2014 to approximately 40.1 days as at 31 March 2015. Such decrease was mainly due to the Group settled the trade payables of approximately HK\$2.5 million to Supplier B during the three-month period ended 31 March 2015.

AMOUNT DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

Amount due to customers for contract work represents building service engineering contracts in progress where the Group's progress billings exceed costs incurred plus recognised profits less recognised losses. Conversely, if costs incurred plus recognised profits less recognised losses exceed progress billings, an amount due from customers for contract work will be recognised as the Group's current assets.

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The following table sets forth the Group's contracts costs incurred plus recognised profits less recognised losses and the Group's progress billings as at the dates indicated:

	As at 31 December		As at
	2013	2014	31 March
	<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><u>15,678</u></u>	<u><u>21,978</u></u>	<u><u>27,983</u></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><u>15,678</u></u>	<u><u>21,978</u></u>	<u><u>27,983</u></u>

The net amounts due from (to) customers for contract work increased by approximately HK\$6.3 million from approximately HK\$15.7 million as at 31 December 2013 to approximately HK\$22.0 million as at 31 December 2014, which was mainly attributable to the execution of the project of Customer G that commenced in the second half of 2014 with considerable start-up costs incurred, including subcontracting charges, material costs and labour costs, while works completed had not been applied for payment/under certification by customer as at 31 December 2014.

The net amounts due from (to) customers for contract work increased by approximately HK\$6.0 million from approximately HK\$22.0 million as at 31 December 2014 to approximately HK\$28.0 million as at 31 March 2015, which was mainly attributable to the execution of the one of the Group's project that commenced in the last quarter of 2014 and continued through the first quarter of 2015 with considerable start-up costs incurred, including start-up costs incurred, including subcontracting charges, material costs and labour costs, while works completed had not been applied for as at 31 March 2015.

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AMOUNTS DUE FROM (TO) A DIRECTOR/RELATED COMPANIES

Amount due from a director represents amount due from Mr. Wong to the Group. The amount is non-trade related, unsecured, interest-free and repayable on demand. The maximum outstanding amounts as at 31 December 2013, 31 December 2014, 31 March 2015 and 30 April 2015 were approximately HK\$2.5 million, HK\$10.7 million, HK\$10.7 million and HK\$711,000, respectively. All outstanding amounts due from Mr. Wong will be repaid by Mr. Wong before Listing.

Amount due to a related party represents amount due to 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.

BANK BORROWINGS

The following table sets out the Group’s bank borrowings as at the end of each reporting period below.

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
			<i>HK\$'000</i>
Bank borrowings — secured:			
Fixed rate	2,145	641	—
Variable rate	7,541	6,922	6,766
	9,686	7,563	6,766
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
Amount shown under current liabilities	9,686	7,563	6,766

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 carry interests at three-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.5% per annum or 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.

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As at 31 December 2013 and 2014, 31 March 2015 and 30 April 2015, the Group's bank borrowings are secured by (i) leasehold land and buildings and leasehold improvement held by the Group with carrying amounts of approximately HK\$4.6 million, HK\$4.4 million and HK\$4.4 million and HK\$4.4 million, respectively; (ii) prepayments and deposit paid for a life insurance policy held by the Group with carrying amounts of HK\$1.1 million, HK\$1.1 million, HK\$1.1 million and HK\$1.1 million respectively; (iii) certain properties held by Mr. Wong and Ms. So; and (iv) personal guarantees from Mr. Wong and Ms. So for an unlimited amount. The bank borrowings will be fully repaid and therefore the above related parties' guarantees and/or securities will be released upon Listing.

The remaining banking facility is granted by Shanghai Commercial Bank Limited which is secured by properties held by Mr. Wong and Ms. So and personal guarantees from Mr. Wong and Ms. So for an unlimited amount, which will be conditionally replaced by corporate guarantee upon [REDACTED].

Indebtedness

As at 30 April 2015, the Group had outstanding variable-rate bank borrowings of approximately HK\$6.7 million. The range of effective contractual interest rates was from 1.88% to 2.25% per annum offered by the bank as at 30 April 2015.

The bank borrowings were secured by the Group's property, plant and equipment with an aggregate amount of HK\$4.4 million, prepayment and deposit paid for a life insurance policy with a carrying amount of HK\$1.1 million, and certain properties held by Mr. Wong and Ms. So and personal guarantees provided by Mr. Wong and Ms. So for unlimited amounts. [The bank borrowings will be fully repaid and therefore the above properties held by Mr. Wong and Ms. So and the personal guarantees provided by Mr. Wong and Ms. So will be released before the [REDACTED].]

Save as disclosed above, the Group did not have, as at 30 April 2015, 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. The Directors confirmed that (i) there has not been any material change in the Group's indebtedness and contingent liabilities since 30 April 2015 and up to the Latest Practicable Date; (ii) the bank loans and bank facilities are subject to the standard banking conditions and covenants; (iii) the Group has complied with all of the covenants under the Group's bank borrowings during the Track Record Period; (iv) the Group has not received any notice from the bank indicating that it might withdraw or downsize the bank loans and bank facility; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

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OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

On 29 May 2015, each of Lap Kei and Wealth E & M as vendor entered into a memorandum of agreement for sale and purchase for the disposals of Workshop No. B2 and B4, 6th Floor of Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon, to LKW Co. as purchaser at an aggregate consideration of HK\$12.6 million.

Save as disclosed above, as at the Latest Practicable Date, the Group did not have any off-balance sheet arrangements or commitments.

DISCLAIMER

The Directors confirm that (i) the Group has not experienced any difficulty in obtaining bank borrowing or any default in payment on bank borrowings or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in the Group’s indebtedness and contingent liabilities since 30 April 2015 and up to the Latest Practicable Date; (iii) 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; (iv) the bank loans, finance lease and bank facility is subject to standard banking conditions; and (v) 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 section “Financial information — Indebtedness” in this document, the Group did not have, at the close of business on 30 April 2015, 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.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

	For the three-month period ended/		
	For the year ended/		As at
	As at 31 December		31 March
	2013	2014	2015
Return on total assets (<i>Note 1</i>)	23.2%	20.4%	7.7%
Return on equity (<i>Note 2</i>)	44.2%	42.3%	18.7%
Current ratio (<i>Note 3</i>)	1.93 times	1.82 times	1.59 times
Gearing ratio (<i>Note 4</i>)	25.4%	14.2%	15.6%

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Notes:

1. Return on total assets is calculated based on the profit for the year/period divided by the total assets as at the end of the year/period.
2. Return on equity is calculated based on the profit for the year/period divided by total equity at the end of the year/period.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective reporting date.
4. Gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the respective reporting date.

Key financial ratios

Return on total assets

- I. The Group's return on total assets decreased from approximately 23.2% for the year ended 31 December 2013 to approximately 20.4% for the year ended 31 December 2014 due to the combined effect of (i) the net profit of approximately HK\$24.3 million for the year ended 31 December 2014 which resulted in an increase in total assets; and (ii) the distribution of dividend to Mr. Wong and Ms. So of approximately HK\$5.1 million during the year ended 31 December 2014 which resulted in a decrease in total assets.

Return on equity

- II. The Group's return on equity decreased from approximately 44.2% for the year ended 31 December 2013 to approximately 42.3% for the year ended 31 December 2014 due to the combined effect of (i) the net profit of approximately HK\$24.3 million for the year ended 31 December 2014 which also resulted in an increase in equity; and (ii) the distribution of dividend to Mr. Wong and Ms. So of approximately HK\$5.1 million during the year ended 31 December 2014 which resulted in a decrease in equity.

Current ratio

- III. The Group's current ratio decreased from approximately 1.9 times as at 31 December 2013 to approximately 1.8 times and approximately 1.6 times as at 31 December 2014 and 31 March 2015 respectively, despite of the Group's significantly higher amount of current assets as at 31 December 2014 (of approximately HK\$111.5 million) and as at 31 March 2015 (of approximately HK\$ 97.8 million) than that as at 31 December 2013 (of approximately HK\$66.9 million) in the form of amount due from customers for contract work, trade and other receivables and cash and cash equivalents as a result of the Group's profitable operation, which is mainly attributable to the proportionally higher increase in percentage in current liabilities mainly in the form of amounts due to customers for contract work, trade and other payables and tax payable.

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Gearing ratio

- IV. The Group's gearing ratio substantially improved from approximately 25.4% as at 31 December 2013 to approximately 14.2% as at 31 December 2014, which was mainly due to the Group's repayment of interest-bearing bank borrowings for the year ended 31 December 2014. The Group's gearing ratio as at 31 March 2015 increased slightly, notwithstanding the Group's repayment of interest-bearing bank borrowings and bank overdrafts during the three-month period ended 31 March 2015, to approximately 15.6% as compared to approximately 14.2% as at 31 December 2014, which is primarily attributable to the decrease in total equity as a result of the approximately HK\$22.0 million dividend declared during the three-month period ended 31 March 2015.

CAPITAL EXPENDITURES AND COMMITMENTS

Operating Lease Commitments

The Group as lessee

The Group 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, 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.

SURETY BONDS

Certain customers of building services engineering contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract work in the form of performance bonds. The Group has obtained banking facilities from banks and the banks have issued performance bonds to the customers. The banking facilities are secured by property, plant and equipment and prepayment and deposit paid for a life insurance policy, as well as certain properties owned by Mr. Wong and Ms. So and personal guarantees provided by Mr. Wong and Ms. So for unlimited amounts. The performance bonds will be released when the contracts are completed or substantially completed. The security by properties owned by Mr. Wong and Ms. So and personal guarantees provided by Mr. Wong and Ms. So will be released and conditionally replaced by the Company's corporate guarantee and bank deposit upon Listing.

As at 31 December 2013 and 2014 and as at 31 March 2015, the amount of outstanding performance bonds provided by the Group's banks were approximately HK\$5.4 million, HK\$17.6 million and HK\$8.7 million respectively.

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LISTING EXPENSES

The Group expects that its total Listing expense, which is non-recurring in nature, will amount to approximately HK\$[REDACTED] million (based on the [REDACTED] Price of HK\$[REDACTED] per Share, being the mid-point of the stated range of the [REDACTED] Price and assuming the [REDACTED] is not exercised). The Group expects to recognize approximately HK\$[REDACTED] million in the combined statement of comprehensive income for the year ended 31 December 2015 and to deduct the remaining of approximately HK\$[REDACTED] million from the Group’s capital. Accordingly, the financial results of the Group for the year ending 31 December 2015 are expected to be affected by the estimated expenses in relation to the [REDACTED]. Such [REDACTED] expense is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 December 2015 and the amount to be deducted from the Group’s capital is subject to change.

NO MATERIAL ADVERSE CHANGE

Save the [REDACTED] expense, the Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2015 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 March 2015 which would materially affect the information shown in the accountants’ report set out in Appendix I to this document.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group’s internal resources, available banking facilities and the estimated net proceeds from the [REDACTED], the Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

The Company was incorporated on 29 April 2015 and hence the Company had no distributable reserves available for distribution to the Shareholders as at 31 March 2015.

RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed “Related party disclosures” in note 27 of the notes to the Accountants’ Report in Appendix I to this document.

Please also refer to the section headed “Connected transactions — Non-exempt continuing connected transactions — Framework Subcontracting Agreement entered between Lap Kei and Kin Kwan” for details of the arrangement between the Group and Kin Kwan Decoration Company Limited.

The Directors are of the view that the related party transactions were conducted at arm’s length and on normal commercial terms, and would not distort the Group’s results of operations over the Track Record Period or make the Group’s historical results over the Track Record Period not reflective of the Group’s expectations for the Group’s future performance.

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MARKET RISKS

The Group is, in the normal course of business, exposed to market risks such as interest rate risk, credit risk and liquidity risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on the financial performance.

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 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 decrease / increase 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.

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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 approximately HK\$17.4 million, HK\$26.2 million and HK\$26.4 million 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 amounts due from a director. As at 31 December 2013 and 2014 and 31 March 2015, amounts due from a director amounted to HK\$2.5 million, HK\$10.7 million and HK\$0.7 million, respectively.

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.

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 bank borrowing facilities of approximately HK\$12.3 million, HK\$10.1 million and HK\$16.0 million as at 31 December 2013 and 2014 and 31 March 2015, respectively, in which approximately HK\$12.1 million, HK\$9.9 million and HK\$15.8 million 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.

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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
31 December 2013							
Non-derivative financial liabilities							
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
31 December 2014							
Non-derivative financial liabilities							
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>
	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
31 March 2015							
Non-derivative financial liabilities							
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>

FINANCIAL INFORMATION

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 approximately HK\$9.7 million, HK\$7.6 million and HK\$6.8 million, 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
31 December 2013								
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>
31 December 2014								
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>
31 March 2015								
Variable rate bank borrowings	2.03	63	127	570	2,585	4,453	7,798	6,766

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 outstanding interest rate as at the end of each reporting period.

DIVIDEND POLICY

During the year ended 31 December 2014, an interim dividend of HK\$5.1 million was recognised as distribution by Lap Kei to its then shareholders, namely Mr. Wong and Ms. So.

During the three-month period ended 31 March 2015, interim dividend of approximately HK\$22.0 million was recognised as distribution by Lap Kei to its then shareholders, namely Mr. Wong and Ms. So, in which HK\$10.0 million were settled through the current account with a Director.

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

FINANCIAL INFORMATION

The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

- the Group’s financial results;
- the Group’s shareholders’ interests;
- general business conditions, strategies and future expansion needs;
- the Group’s capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on liquidity and financial position of the Group; and
- other factors as the Board may consider relevant.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM 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 Group after the completion of the [REDACTED] as if the [REDACTED] had taken place on 31 March 2015. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Group had the [REDACTED] been completed on 31 March 2015 or at any future dates.

The unaudited pro forma adjusted combined net tangible assets of the Group as at 31 March 2015 is based on the audited combined net tangible assets of the Group as at 31 March 2015 as shown in the Accountants’ Report set out in Appendix I to this document and the adjustments described below.

FINANCIAL INFORMATION

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group prepared on the basis of the notes set out below for purpose of illustrating the effect of the [REDACTED] on the audited combined net tangible assets of the Group as if the [REDACTED] had taken place on 31 March 2015.

	Audited combined net tangible assets of the Group as at 31 March 2015	Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>
Based on a [REDACTED] Price of HK\$ [REDACTED] per [REDACTED] Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on a [REDACTED] Price of HK\$ [REDACTED] per [REDACTED] Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note:

- (1) The audited combined net tangible assets of the Group as at 31 March 2015 is extracted from Accountants' Report as set out in Appendix I to this [REDACTED].
- (2) The estimated net proceeds from the [REDACTED] are based on [REDACTED] New Shares and the Indicative [REDACTED] Prices of lower limit and upper limit of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] Share, respectively, after deduction of the estimated underwriting fees and related expenses payable by the Company and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED] or options that 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 document.
- (3) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2015.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] and the [REDACTED] but takes no account of any Shares which may be issued upon the exercise of the [REDACTED] or options that 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].
- (5) By comparing the valuation of the property interests in the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 29 May 2015, the net valuation surplus is approximately HK\$8,241,000 as compared to the carrying amounts of the Group's property interests as at 30 April 2015, which has not been included in the above combined net tangible assets of the Group. The valuation surplus of the property interests will not be incorporated in the Group's combined financial statements in the future. If the valuation surplus were to be included in the combined financial statements, an additional annual depreciation charge of approximately HK\$252,000 would be incurred.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” in this document for the Group’s business objectives and strategies.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are the implementation plans of the Group for each of the six-month periods from the Latest Practicable Date until 31 December 2017. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in the section headed “Statement of business objectives and use of proceeds — Bases and assumptions” below. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this document.

From the Latest Practicable Date to 31 December 2015

- | | |
|---|---|
| Further development of the Group’s building services engineering business | <ul style="list-style-type: none">• Undertake more projects for the building service engineering business should the Group be able to identify and secure suitable business opportunities, with HK\$[REDACTED] million earmarked for satisfying potential customers’ requirements for surety bonds |
| Further expansion of service scope | <ul style="list-style-type: none">• Recruit 3 staff with relevant experience to prepare relevant submission documents to the Works Branch of Development Bureau for the registration of Approved Suppliers of Materials and Specialist Contractors for Public Works (Group II) in order to broaden the Group’s business opportunities |
| Further strengthening the Group’s engineering department | <ul style="list-style-type: none">• Sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 June 2016

- | | |
|---|--|
| Further development of the Group's building services engineering business | <ul style="list-style-type: none">● Undertake more projects for the building service engineering business should the Group be able to identify and secure suitable business opportunities, with HK\$[REDACTED] million earmarked for satisfying potential customers' requirements for surety bonds |
| Further expansion of service scope | <ul style="list-style-type: none">● Submit the application to the Works Branch of Development Bureau for the registration of Approved Suppliers of Materials and Specialist Contractors for Public Works (Group II) |
| Further strengthening the Group's engineering department | <ul style="list-style-type: none">● Recruit 5–10 additional middle to senior level engineering staff to cope with the business development and the plan to further develop the Group's building services engineering business● Sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties |

For the six months ending 31 December 2016

- | | |
|---|--|
| Further development of the Group's building services engineering business | <ul style="list-style-type: none">● Undertake more projects for the building service engineering business should the Group be able to identify and secure suitable business opportunities, with HK\$[REDACTED] million earmarked for satisfying potential customers' requirements for surety bonds |
| Further expansion of service scope | <ul style="list-style-type: none">● Completion of the application to the Works Branch of Development Bureau for the registration of Approved Suppliers of Materials and Specialist Contractors for Public Works (Group II) |
| Further strengthening the Group's engineering department | <ul style="list-style-type: none">● Sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 June 2017

- | | |
|---|--|
| Further development of the Group's building services engineering business | <ul style="list-style-type: none">● Undertake more projects for the building service engineering business should the Group be able to identify and secure suitable business opportunities, with HK\$[REDACTED] million earmarked for satisfying potential customers' requirements for surety bonds |
| Further expansion of service scope | <ul style="list-style-type: none">● Evaluate the need to obtain further licences, permits and/or qualifications to enhance the competitiveness of the Group |
| Further strengthening the Group's engineering department | <ul style="list-style-type: none">● Recruit 5–10 additional middle to senior level engineering staff to cope with the business development and the plan to further develop the Group's building services engineering business● Sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties |

For the six months ending 31 December 2017

- | | |
|---|--|
| Further development of the Group's building services engineering business | <ul style="list-style-type: none">● Undertake more projects for the building service engineering business should the Group be able to identify and secure suitable business opportunities, with HK\$[REDACTED] million earmarked for satisfying potential customers' requirements for surety bonds |
| Further expansion of service scope | <ul style="list-style-type: none">● Commence the preparation of obtaining further licences, permits and/or qualifications if consider in the interests of the Group |
| Further strengthening the Group's engineering department | <ul style="list-style-type: none">● Sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2017.

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places in which any member of the Group carries on or will carry on business and provides or will provide human resources related services;
- (b) the Group will not be materially affected by any risk factors set out in the section headed “Risk factors” in this document;
- (c) there will be no material changes in the bases (such as inflation and interest rate) or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate or is incorporated;
- (d) the [REDACTED] will be completed in accordance with and as described in the section headed “Structure and conditions of the [REDACTED]” to this document;
- (e) the Group is able to retain its customers and suppliers;
- (f) the Group will be able to retain key staff in the management and the main operational departments; and
- (g) the Group will be able to continue its operations in substantially the same manner as the Group has been operating during the Track Record Period and the Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

REASONS FOR THE [REDACTED] AND USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enhance its corporate profile and brand image and the net proceeds from the [REDACTED] will strengthen its financial position and will enable the Group to implement its business plans set out in the paragraph headed “Implementation plans” above. Furthermore, a public listing status on the Stock Exchange will offer the Group access to capital market for corporate finance exercise to assist in future business development, enhance its corporate profile and strengthen its competitiveness.

The net proceeds from the [REDACTED] based on the [REDACTED] Price of HK\$[REDACTED] per Share (being the mid-point of the stated range of the [REDACTED] Price), after deducting the related expenses, are estimated to be approximately HK\$[REDACTED] million (assuming the [REDACTED] is not exercised). The Directors presently intend that the net proceeds will be applied as follows:

- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED] million, for the further development of the Group’s building services engineering business;
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED] million, for the further expansion of service scope;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED] million, for the further strengthening the Group’s engineering department; and
- approximately [REDACTED]% of the net proceeds, or approximately HK\$[REDACTED] million, for the general working capital.

In summary, the implementation of the Group’s business objectives and strategies from the Latest Practicable Date to 31 December 2017 will be funded by the net proceeds from the [REDACTED] as follows:

	From the Latest Practicable		For the six months ending			Total
	Date to					
	31 December	30 June	31 December	30 June	31 December	
	2015	2016	2016	2017	2017	
	<i>HK\$m</i>	<i>HK\$m</i>	<i>HK\$m</i>	<i>HK\$m</i>	<i>HK\$m</i>	<i>HK\$m</i>
Further development of the Group’s building services engineering business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further expansion of service scope	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening the Group’s engineering department	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The Directors consider that the net proceeds from the [REDACTED] and the Group’s internal resources will be sufficient to finance the Group’s business plans up to the year ending 31 December 2017.

In the event that the [REDACTED] Price is set at the high-end and the low-end of the proposed [REDACTED] Price range, the Group will receive net proceeds of approximately HK\$66.7 million and HK\$47.7 million, after deducting related expenses, respectively. If the [REDACTED] Price is set at the high-end or low-end of the proposed [REDACTED] Price, the Directors intend to adjust the allocation of the net proceeds to the usage in the proportions stated above.

If the [REDACTED] is exercised in full, the net proceeds from the [REDACTED] will increase to (i) approximately HK\$[REDACTED] million, after deducting related expenses, assuming that the [REDACTED] Price is determined at the mid-point of the indicative range of the [REDACTED] Price and (ii) approximately HK\$[REDACTED] million and HK\$[REDACTED] million, after deducting related expenses, assuming that a [REDACTED] Price of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] Share, being the highest point and the lowest point of the indicative [REDACTED] Price range, respectively. The Directors intend to adjust the allocation of the net proceeds to the usage in the proportions stated above.

To the extent that the net proceeds from the [REDACTED] are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

UNDERWRITING

UNDERWRITERS

Underwriters

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting agreement

Pursuant to the Underwriting Agreement, the Company is offering the [REDACTED] Shares at the [REDACTED] Price for subscription by professional, institutional or private investors. Subject to, among other matters, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and to the satisfaction of certain other conditions set out in the Underwriting Agreement being satisfied or waived on or before the 30th day after the date of this document (or such later date as the Company and the Bookrunner (for itself and on behalf of the Underwriters) may agree), the Underwriters have severally agreed to subscribe and/or procure subscribers for their respective applicable proportions of the [REDACTED] Shares on the terms and conditions of the [REDACTED].

Grounds for termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Commission and expenses

The Underwriters will receive a commission of [REDACTED]% on the aggregate [REDACTED] of all the [REDACTED] Shares (including Shares to be issued pursuant to the [REDACTED]) now being offered, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. The Underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the [REDACTED] are estimated to be approximately HK\$[REDACTED] million (based on a [REDACTED] Price of HK\$[REDACTED] per [REDACTED] Share, being the mid-point of the indicative [REDACTED] Price range of HK\$[REDACTED] per [REDACTED] Share and HK\$[REDACTED] per [REDACTED] Share and the assumption that the [REDACTED] is not exercised) and is paid or payable by the Company.

Underwriters' interests in the Company

Save for its interests and obligations under the Underwriting Agreement and save as disclosed in this document, none of the Underwriters or any of its 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 a compliance adviser’s agreement dated [●] 2015 and made between Messis Capital and the Company (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 GEM Listing Rules for a fee from the [REDACTED] Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED] Date, i.e. 31 December 2017, 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 6A.07 of the GEM 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 Agreement and any interests in securities that may be subscribed by it pursuant to the [REDACTED], neither Messis Capital nor any of its 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]

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.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

[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.

APPENDIX I

ACCOUNTANTS’ REPORT

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.

APPENDIX I

ACCOUNTANTS’ REPORT

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.

APPENDIX I

ACCOUNTANTS' REPORT

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		Three-month period ended 31 March	
		2013	2014	2014	2015
		<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
Non-current assets				
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>
Current assets				
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>
Current liabilities				
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>
Net current assets		<u>32,305</u>	<u>50,165</u>	<u>36,417</u>
Net assets		<u>38,173</u>	<u>57,326</u>	<u>43,433</u>
Capital and reserve				
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

	Share capital <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note)</i>	Accumulated profits <i>HK\$'000</i>	Total <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 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
			(Unaudited)	
OPERATING ACTIVITIES				
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	<u>(17)</u>	<u>(27)</u>	<u>(7)</u>	<u>(14)</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	<u>(5)</u>	<u>211</u>	<u>—</u>	<u>102</u>
Cash generated from (used in) operations	17,164	44,516	5,077	(8,868)
Hong Kong Profits Tax paid	<u>(1,600)</u>	<u>(2,525)</u>	<u>—</u>	<u>—</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>15,564</u>	<u>41,991</u>	<u>5,077</u>	<u>(8,868)</u>
INVESTING ACTIVITIES				
Advance to a director	(2,462)	(14,461)	—	—
Purchase of property, plant and equipment	—	(1,823)	—	—
Repayment from a director	—	1,112	—	—
Interest received	<u>1</u>	<u>14</u>	<u>3</u>	<u>11</u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(2,461)</u>	<u>(15,158)</u>	<u>3</u>	<u>11</u>

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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)	
FINANCING ACTIVITIES				
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>
NET CASH USED IN FINANCING ACTIVITIES				
	<u>(4,588)</u>	<u>(2,316)</u>	<u>(579)</u>	<u>(835)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	8,515	24,517	4,501	(9,692)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD				
	<u>1,033</u>	<u>9,548</u>	<u>9,548</u>	<u>34,065</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD				
	<u>9,548</u>	<u>34,065</u>	<u>14,049</u>	<u>24,373</u>
Represented by				
Bank balances and cash	9,548	34,651	14,049	24,373
Bank overdrafts	<u>—</u>	<u>(586)</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 ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
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 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ⁴

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

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

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

⁴ 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

	Building services engineering work HK\$’000	Maintenance, repair and other services HK\$’000	Total HK\$’000
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

	Building services engineering work <i>HK\$'000</i>	Maintenance, repair and other services <i>HK\$'000</i>	Total <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)

	Building services engineering work <i>HK\$'000</i>	Maintenance, repair and other services <i>HK\$'000</i>	Total <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

	Building services engineering work HK\$'000	Maintenance, repair and other services HK\$'000	Total HK\$'000
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:

	Year ended 31 December		Three-month period ended	
	2013	2014	31 March	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	23,444	N/A ¹	3,059	N/A ¹
Customer B	19,788	N/A ¹	N/A ¹	N/A ¹
Customer C	N/A ¹	21,491	N/A ¹	N/A ¹
Customer D	N/A ¹	15,985	N/A ¹	12,908
Customer E	N/A ¹	N/A ¹	4,002	N/A ¹
Customer F	N/A ¹	N/A ¹	3,173	N/A ¹
Customer G	N/A ¹	N/A ¹	2,922	N/A ¹
Customer H	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>12,661</u>

¹ 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	<u>285</u>	<u>193</u>	<u>54</u>	<u>38</u>

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	<u>163</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<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	<u>20,484</u>	<u>29,040</u>	<u>3,087</u>	<u>9,709</u>
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	<u>163</u>	<u>—</u>	<u>—</u>	<u>—</u>
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	<u>952</u>	<u>956</u>	<u>238</u>	<u>241</u>
Total staff costs	<u>26,172</u>	<u>26,558</u>	<u>6,254</u>	<u>6,962</u>
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	<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	<u>—</u>	<u>534</u>	<u>15</u>	<u>549</u>
Total	<u>—</u>	<u>1,627</u>	<u>30</u>	<u>1,657</u>

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	Directors’ fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
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>

	Directors’ fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
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>

	Directors’ fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
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>
COST					
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>
DEPRECIATION					
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>
CARRYING VALUES					
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 ¹ / ₃ %
Furniture, fixtures and equipment	20%–33 ¹ / ₃ %
Motor vehicles	20%–33 ¹ / ₃ %

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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:

Insured sum	Upfront payment	Guaranteed interest rates	
		First year	Second year and onwards
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:

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	HK\$'000
Deposit paid	1,047	1,064	1,068
Prepayment	<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

	As at 31 December		As at 31
	2013	2014	March
	<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

	As at 31 December		As at 31
	2013	2014	March
	<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:

	As at 31 December		As at 31 March
	2013	2014	2015
	<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:

	As at 31 December		As at 31 March
	2013	2014	2015
	<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

	As at 31 December		As at 31 March
	2013	2014	2015
	<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

	As at 31 December		As at 31
	2013	2014	March
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>48,884</u>	<u>87,322</u>	<u>66,172</u>
Financial liabilities			
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
31 December 2013							
Non-derivative financial liabilities							
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
31 December 2014							
Non-derivative financial liabilities							
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
31 March 2015							
Non-derivative financial liabilities							
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
31 December 2013								
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>
31 December 2014								
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>
31 March 2015								
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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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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants’ Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, 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 document and the Accountants’ Report set forth in Appendix I to this document.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The statement of unaudited pro forma adjusted combined net tangible assets of the Group in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the [REDACTED] on the audited combined net tangible assets of the Group as if the [REDACTED] had taken place on 31 March 2015.

This statement of unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2015 or at any future dates following the [REDACTED].

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group as at 31 March 2015 as shown in the accountants’ report on the financial information of the Group for each of the two years ended 31 December 2014 and the three-month period ended 31 March 2015 (the “Accountants’ Report”), the text of which is set out in Appendix I to this document, and adjusted as follows:

	Audited combined net tangible assets of the Group as at 31 March 2015 HK\$’000 (1)	Estimated net proceeds from the [REDACTED] HK\$’000 (2)	Unaudited pro forma adjusted combined net tangible assets of the Group HK\$’000 (3)	Unaudited pro forma adjusted combined net tangible assets of the Group per Share HK\$ (4)
Based on the [REDACTED] Price of HK\$[REDACTED] per [REDACTED] Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] Price of HK\$[REDACTED] per [REDACTED] Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The audited combined net tangible assets of the Group as at 31 March 2015 is extracted from the Accountants’ Report set out in Appendix I to this document.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the [REDACTED] are based on [REDACTED] new Shares and the Indicative [REDACTED] Prices of lower limit and upper limit of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] Share, respectively, after deduction of the estimated underwriting fees and related expenses payable by the Company and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED] or options that 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 document.
- (3) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2015.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] and the [REDACTED] but takes no account of any Shares which may be issued upon the exercise of the [REDACTED] or options that 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 document.
- (5) By comparing the valuation of the property interests in the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 29 May 2015, the net valuation surplus is approximately HK\$8,241,000 as compared to the carrying amounts of the Group's property interests as at 30 April 2015, which has not been included in the above combined net tangible assets of the Group. The valuation surplus of the property interests will not be incorporated in the Group's combined financial statements in the future. If the valuation surplus were to be included in the combined financial statements, an additional annual depreciation charge of approximately HK\$252,000 would be incurred.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

**(B) LETTER FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE
UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE
ASSETS OF THE GROUP**

[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
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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 company law.

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 "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (A) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [10 August 2015]. The following is a summary of certain provisions of the Articles:

(A) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto 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). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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.

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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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 Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the

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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 thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (a) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) any contract or arrangement for 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 himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement concerning an offer of shares or 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;

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- (d) 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 or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (e) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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

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any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

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The office of director shall be vacated:

- (a) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (b) becomes of unsound mind or dies;
- (c) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (e) if he is prohibited from being a director by law;
- (f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) 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 assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

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(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of 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 thirty (30) days of any change in such directors or officers.

(B) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(C) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

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(D) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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.

(E) Special resolution majority required

Pursuant to the Articles, 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, in the case of such members as 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 in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(F) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case

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every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(G) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(H) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 (2009 Revision) of the Cayman Islands.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(I) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

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- (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, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (c) the election of directors in place of those retiring;
- (d) the appointment of auditors and other officers;
- (e) the fixing of the remuneration of the directors and of the auditors;
- (f) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (g) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(J) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed 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 transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(K) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(L) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

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Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(M) Dividends and other methods of distribution

Subject to the Companies Law, 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of

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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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(N) 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(O) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

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If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(P) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(Q) 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, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

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(R) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(F) of this Appendix.

(S) 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 shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(T) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of

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such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(U) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(A) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is 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

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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 business.

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The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), 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, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(C) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(D) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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.

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Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, 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 to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(E) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(F) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

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Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(G) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(H) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

(I) Exchange control

There are no exchange control regulations or currency restrictions 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:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

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- (ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [12 May 2015].

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(K) Stamp duty on transfers

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.

(L) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(M) Inspection of corporate records

Members of the Company will have no general right under the Companies Law 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.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 (2009 Revision) of the Cayman Islands.

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(N) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

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As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(O) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(P) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(Q) 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, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. 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.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 April 2015.

The Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 May 2015 and the principal place of business in Hong Kong is Room 6, 6/F, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong. In connection with such registration, the Company have appointed Mr. Wong of House 7, Uptown, 600 Castle Peak Road, Hung Shui Kiu, Yuen Long, New Territories, Hong Kong and Mr. Cheng Chin Wing of Room 7, 12th Floor, Block B, Hamden Court, 149–151 Hong Nin Road, Kwun Tong, Kowloon, Hong Kong as its authorised representatives for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this document.

2. Changes in the share capital of the Company

- (a) As at the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On the same date, one subscriber Share with a par value of HK\$0.01 was allotted and issued as fully paid to Craig Fulton, which subsequently transferred the said Share to Golden Luck.
- (b) On [REDACTED], the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$[10,000,000] divided into [1,000,000,000] Shares by the creation of an additional of [962,000,000] Shares.

Immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that 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\$[10,000,000] divided into [1,000,000,000] 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 pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed "5. Written Resolutions of the sole Shareholder passed on [REDACTED]" and "6. Repurchase of the Shares" below and the exercise of the options which may be granted under the Share Option Scheme, the Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

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Save as disclosed in this document, there has been no alteration in the Company's share capital since its incorporation.

3. Reorganisation

The Group underwent the Reorganisation in preparation for the [REDACTED]. Further details are set out in the paragraph headed "Reorganisation" under the section headed "History, Development and Reorganisation" in this document.

4. Changes in share capital of the subsidiaries

The subsidiaries of the Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as disclosed in the paragraph headed "Reorganisation" under the section headed "History, Development and Reorganisation" in this document, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this document.

5. Written resolutions of the sole Shareholder passed on [REDACTED]

Written resolutions of the sole Shareholder were passed on [REDACTED] approving, amongst others, the following:

- (a) the Memorandum and the Articles were adopted as the memorandum of association and articles of association;
- (b) 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\$[10,000,000] divided into [1,000,000,000] Shares of HK\$0.01 each by the creation of additional [962,000,000] Shares, all of which shall rank pari passu in all respects with the existing Shares as at [REDACTED]; and
- (c) conditional on (aa) the [REDACTED] Division granting the listing of, and permission to deal in, the Shares in issue and Shares to be allotted and issued as mentioned in this document including the Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme; (bb) the [REDACTED] Price having been duly determined and the execution and delivery of the Underwriting Agreement on the date as specified in this document; and (cc) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Bookrunner (for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this document), in each case on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such

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conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this document:

- (i) the [REDACTED] and the [REDACTED] by the Company were approved and the Directors were authorised to (aa) allot and issue the [REDACTED] Shares pursuant to the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the [REDACTED]; (bb) implement the [REDACTED] and the [REDACTED]; 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 upon 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 Golden Luck by way of capitalisation of the sum of HK\$[2,999,999.99] 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 then existing issued Shares;
- (iii) the rules of the Share Option Scheme were approved and adopted and the Board (or any committee thereof established by the Board) was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; and (ee) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;
- (iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the [REDACTED] or the [REDACTED] or upon the exercise of the [REDACTED], Shares with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme), (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of the

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Company, or the date by which the next annual general meeting is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase on the Stock Exchange and/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 in accordance with applicable laws and requirements of the GEM Listing Rules (or of such other stock exchange), Shares with an aggregate nominal amount not exceeding 10% of the aggregate of the nominal amount of the share capital of the Company in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting is required by the Articles or any applicable laws to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) a general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed (conditionally or unconditionally) to be allotted or issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

6. Repurchase of the Shares

This paragraph sets out information required by the Stock Exchange to be included in this document concerning the repurchase by the Company of its own securities.

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(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their own 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 with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of the sole Shareholder passed on [REDACTED], a general unconditional mandate to repurchase the Company's securities (the "Repurchase Mandate") was given to the Directors, the details of which are set out in the paragraph headed "5. Written resolutions of the sole Shareholder passed on [REDACTED]" above in this appendix.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the Companies Law and the GEM Listing Rules. A listed company must not repurchase 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. Subject to the foregoing, any repurchases by the Company may be made out of profits of the Company, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of the Company, out of the Company's share premium account before or at the time the Shares are repurchased, or, subject to the Companies Law, out of capital.

(iii) *Trading restrictions*

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate.

A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange.

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In addition, a company is prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange.

A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. on the following Business Day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who

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effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchase

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

(c) Share capital

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and 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), could accordingly result in up to 40,000,000 Shares being repurchased by the Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed "5. Written resolutions of the sole Shareholder passed on [REDACTED]" in the section headed "A. Further Information about the Company" in this appendix.

(d) General

None of the Directors nor, 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 or its subsidiaries. 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 GEM Listing Rules, the Articles and the applicable laws of the Cayman Islands.

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If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the Company's voting rights increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become 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 as a result of any repurchase pursuant to the Repurchase Mandate.

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 GEM Listing Rules).

The Company has not made any repurchases of its own securities since its incorporation.

No core connected person has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

- (a) a memorandum of sale and purchase for sale and purchase entered into between LKW Co. and Lap Kei dated 29 May 2015;
- (b) a memorandum of sale and purchase for sale and purchase entered into between LKW Co. and Wealth E & M dated 29 May 2015;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Underwriting Agreement.

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2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, the Company has applied for registration of the following trademarks, and the following trademark applications are, in the opinion of the Directors, material to the Group’s business:

No.	Trademark	Class	Place of registration	Application number	Application date
1	 LAP KEI Lap Kei	37, 42	Hong Kong	303404808	12 May 2015
2	lap kei	37, 42	Hong Kong	303404817	12 May 2015
3	立基	37, 42	Hong Kong	303404835	12 May 2015

(b) Domain names

As at the Latest Practicable Date, the Company has registered the following domain names, and the following domain names are, in the opinion of the Directors, material to the business of the Company:

Domain name	Registered owner	Expiry date
www.lapkeieng.com.hk	Lap Kei	25 May 2016
www.lapkeieng.com	Lap Kei	30 April 2025

C. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company and the Company’s associated corporations after completion of the [REDACTED] and the [REDACTED]

Immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the interests or short positions of the Directors in the Shares, underlying Shares or debentures of the Company 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 under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as

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referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the “required standard of dealings” as contained in Chapter 5 of the GEM Listing Rules, will be as follows:

Name of Director	Capacity/nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Wong (Note 2)	Interest in a controlled corporation	[REDACTED]	[REDACTED]
Ms. So (Note 3)	Interest of spouse	[REDACTED]	[REDACTED]

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. The Company will be owned as to [75]% by Golden Luck immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Golden Luck is legally and beneficially owned as to 99% by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in the same number of Shares held by Golden Luck.
3. Ms. So is the spouse of Mr. Wong. Under the SFO, Ms. So is deemed to be interested in the same number of Shares in which Mr. Wong is interested.

Immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme), so far as the Directors are aware, save as disclosed in the table below, the following persons (not being the Directors or a chief executive of the Company) will have an interest or short position in the Shares or underlying Shares which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of 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 the Shares (Note 1)	Approximate percentage of shareholding
Golden Luck (Notes 2 and 3)	Beneficial owner	[REDACTED]	[REDACTED]

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.

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2. The Company will be owned as to [REDACTED]% by Golden Luck immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Golden Luck is legally and beneficially owned as to 99% by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in the same number of Shares held by Golden Luck.
3. Ms. So is the spouse of Mr. Wong. Under the SFO, Ms. So is deemed to be interested in the same number of Shares in which Mr. Wong is interested.

(b) Negative statement regarding interests in securities

None of the Directors will immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme) have any discloseable interests (as referred to in (a) above) other than as disclosed at (a) above.

The Directors are not aware of any persons who will immediately following completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the Shares, other than as disclosed at (a) above.

2. Particulars of Director's severice agreements and appointment letters

(a) Executive Directors

Each of the executive Directors [has entered] into a service agreement with the Company for an initial fixed term of three years commencing from the [REDACTED] Date.

(b) Independent non-executive Directors

Each of the independent non-executive Directors [has been] appointed for an initial fixed term of one year commencing from the [REDACTED] Date.

Save as disclosed in this document, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of the Directors

During each of the two years ended 31 December 2014 and the three-month period ended 31 March 2015, the aggregate emoluments paid and benefits in kind granted by the Group to the Directors were approximately HK\$1,627,000, HK\$1,734,000 and HK\$440,000, respectively.

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During each of the two years ended 31 December 2014 and the three-month period ended 31 March 2015, the aggregate of contributions to pension schemes for the Directors were approximately HK\$30,000, HK\$34,000 and HK\$10,000, respectively.

During each of the two years ended 31 December 2014 and the three-month period ended 31 March 2015, no bonus was paid to or receivable by the Directors.

None of the Directors or any past director(s) of any member of the Group has been paid any sum of money for each of the two years ended 31 December 2014 and the three-month period ended 31 March 2015 (a) as an inducement to join or upon joining the Company or (b) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

[There has been no arrangement under which a Director has waived or agreed to waive any emolument for each of the two years ended 31 December 2014 and the three-month period ended 31 March 2015.]

Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by the Group to each of the Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. Wong	1,800,000
Ms. So	600,000
	<i>HK\$</i>
Independent non-executive Directors	
Mr. Chung Yuk Ming, Christopher	120,000
Mr. Fok Ka Chi	120,000
Mr. Tam Chun Chung	120,000

Each of the executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by the Group from time to time or for providing services to the Group or executing their functions in relation to the Group's business and operations.

Save as disclosed in this document, no other emoluments have been paid or are payable, in respect of each of the two years ended 31 December 2014 and the three-month period ended 31 March 2015 by the Group to the Directors.

IV. Related Party Transactions

Details of the related party transactions are set out under Note 27 to the Accountants' Report set out in Appendix I to this document.

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V. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO, immediately after completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme), 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 which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the “required standard of dealings” as contained in Chapter 5 of the GEM Listing Rules, in each case once the Shares are listed;
- (b) the Directors are not aware of any person (other than the Directors or the chief executive of the Company) who will, immediately after the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon 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 will have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (c) none of the Directors or the experts under the paragraph headed “E. Other Information — 7. Qualifications of experts” in this appendix below has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date of this document, 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 nor the experts named under the paragraph headed “E. Other Information — 7. Qualifications of experts” in this appendix below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the Group’s business;
- (e) none of the experts named under the paragraph headed “E. Other Information — 7. Qualifications of experts” in this appendix below 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.

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D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"). As at the Latest Practical Date, there is no Invested Entity other than members of the Group, and the Group has not identified any potential Invested Entity for investment.

(b) Who may join

The Directors shall, in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any person belonging to the following classes:

- (i) any employee (whether full time or part time, including the Directors (including any non-executive Director and independent non-executive Director)) of the Company, its subsidiaries (within the meaning of Companies Ordinance) or any Invested Entity;
- (ii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iii) any customer of any member of the Group or any Invested Entity;
- (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vi) any adviser (professional or otherwise), consultant, individual or equity who in the opinion of the Directors has contributed or will contribute to the growth and development of the Group;
- (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

and, for the purpose of the Share Option Scheme, the Offer may be made to any company wholly owned by one or more eligible participants.

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For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(c) Maximum number of Shares

- (i) The maximum 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 any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time.
- (ii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being [40,000,000] Shares ("General Scheme Limit").
- (iii) Subject to (i) above and without prejudice to (iv) below, the Company may seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with this Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.
- (iv) subject to (i) above and without prejudice to (iii) above, the Company may seek separate shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (iii) above to eligible participants specifically identified by the Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options under the Share Option

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Scheme to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Grant of options to core connected persons

- (i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).
- (ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK\$5 million;

such further grant of options must be approved by the shareholders of the Company in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

For the purpose of seeking the approval of the shareholders of the Company under paragraphs (c), (d) and (e) above, the Company must send a circular to the shareholders containing the information required under the GEM Listing Rules and where the GEM Listing Rules shall so require, the vote at the shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the GEM Listing Rules abstaining from voting.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a Business Day, on which the offer is made.

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In respect of any particular option under the Share Option Scheme, a period (which may not expire later than 10 years from the offer date of that option) to be determined and notified by the Directors to the grantee thereof and, in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on GEM or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Performance targets

Unless otherwise determined by the Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(h) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph (s) below, be at the discretion of the Directors, provided that it shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

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(i) Ranking of Shares

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date 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 Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

(j) Restrictions on the time of grant of options

For so long as the Shares are listed on the Stock Exchange, an offer may not be made after inside information has come to the Company's knowledge until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM 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 GEM Listing Rules); and (ii) the deadline for the Company to publish announcements of its results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Offer may be made; and

The Directors may not make any offer to an eligible participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares under such circumstances as prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights of ceasing employment

If the Grantee is an eligible employee and in the event of his ceasing to be an eligible employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination. The date of cessation or

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termination as aforesaid shall be the last day on which the grantee was actually at work with the Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the Grantee is an eligible employee and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with the Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(n) Rights on dismissal

In respect of a grantee who is an eligible employee, the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an eligible employee.

(o) Rights on breach of contracts

In respect of a grantee other than an eligible employee, the date on which the Directors shall at their absolute discretion determine that (i) (aa) such grantee has committed any breach of any contract entered into between such grantee on the one part and the Group or any Invested Entity on the other part; or (bb) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) such grantee could no longer make any contribution to the growth and development of the Group by reason of the cession of its relations with the Group or by any other reason whatsoever; and (ii) the option shall lapse automatically (to the extent not excised) and shall not in any event be exercised on or after the date on which the Directors have so determined.

(p) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of the Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the grantee shall,

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notwithstanding any other terms on which his option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all Options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(r) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (i) the provisions of paragraphs (m), (l), (n) and (o) above shall apply to the grantee and to the option granted to such grantee, *mutatis mutandis*, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (m), (l), (n) and (o) above shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

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(s) Adjustment of the subscription price

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of the Company, then, in any such case the Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised); and/or
- (ii) the subscription price of any option; and/or
- (iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the grantee the same proportion of the issued share capital of the Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of the Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with the GEM Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

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(t) Cancellation of options

Subject to the provisions in the Share Option Scheme and the GEM Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of the Directors.

Where the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new Option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by the shareholders of the Company pursuant to paragraph (c)(ii) or (c)(iv) above.

(u) Termination of the Share Option Scheme

The Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Right of personal to the grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle the Company to cancel any option granted to such grantee to the extent not already exercised.

(w) Lapse of option

An option shall lapse authentically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r) above; or (iii) the date on which the Directors exercise the Company's right to cancel the option by reason of a breach of paragraph (v) above.

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(x) *Others*

- (i) The Share Option Scheme is conditional upon:
 - (a) the Stock Exchange granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit to be allotted and issued by the Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
 - (b) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of the Shareholders of the Company.
- (ii) The provisions of the Share Option Scheme relating to the matters governed by Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of the Company in general meeting, provided that 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 grantees as would be required of the holders of the Shares under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.
- (iii) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by the Shareholders except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iv) The terms of the Share Option Scheme and/or any options amended must comply with the applicable requirements of the GEM Listing Rules.
- (v) Any change to the authority of the Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

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E. OTHER INFORMATION

1. Tax and other indemnities

The Indemnifiers have, under a Deed of Indemnity as referred to in the paragraph headed “B. Further Information about the Business of the Group — 1. Summary of material contracts” in this appendix, given joint and several indemnities to the Company (for themselves and as trustee for and on behalf of the Company’s subsidiaries) in connection with, among other things:

- (a) any taxation (including estate duty) falling on any member of the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the [REDACTED] becomes unconditional and
- (b) all costs which any member of the Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any alleged or actual violation or non-compliance by any member of the Group with any laws, regulations or administrative orders or measures in Hong Kong on or before the date on which the [REDACTED] becomes unconditional, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to items (a) and (b) above, specific provision, reserve or allowance has been made for such liability in the audited combined accounts of the Company or any member of the Group for the Track Record Period;
- in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or
- in relation to item (a) above, the taxation liability arises in the ordinary course of business of any member of the Group or in the ordinary course of acquiring and disposing of capital assets after the date on which the [REDACTED] becomes unconditional.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on the Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

To the best knowledge of the Directors, save as disclosed in this document, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries were/was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its results of operations or financial condition.

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3. Application for listing of Shares

The Company has applied to the [REDACTED] Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the [REDACTED] and the [REDACTED] as mentioned herein and any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, the Company has appointed Messis Capital as its compliance adviser to provide advisory services to the Company to ensure compliance with the GEM Listing Rules for a period commencing on the [REDACTED] Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED] Date.

5. Preliminary expenses

The estimated preliminary expenses relating to the incorporation of the Company are approximately HK\$48,828 and have been payable by the Company.

6. Promoter

The Company does not have any promoter.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
Messis Capital	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman	Legal advisers to the Company as to Cayman Islands law
Deloitte Touche Tohmatsu	Certified public accountants
ONC Lawyers	Legal advisers to the Company as to Hong Kong law
Baker Tilly	Internal control consultant

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8. Consents of experts

Each of Messis Capital, Conyers Dill & Pearman, Deloitte Touche Tohmatsu, ONC Lawyers and Baker Tilly has given and has not withdrawn their respective consent to the issue of this document with the inclusion of their reports and/or letter or opinion (as the case may be) and reference to their respective names included in the form and context in which they respectively appears.

9. Fees of Sponsor

The Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of HK\$4.15 million in relation to the [REDACTED].

10. Independence of the Sponsor

Neither the Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the [REDACTED], other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sponsor for acting as the sponsor of the [REDACTED]; and
- (b) by way of the compliance advisory fee to be paid to Messis Capital as the Company's compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules.

No director or employee of the Sponsor who is involved in providing advice to the Company has or may have, as a result of the [REDACTED], any interest in any class of securities of the Company or any of its subsidiaries. None of the directors and employees of the Sponsor has any directorship in the Company or any other companies comprising the Group. The Sponsor is independent from the Group under Rule 6A.07 of the GEM Listing Rules.

11. Binding effect

This document 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 penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Share Register

The register of members of the Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and the branch register of members will be maintained in Hong Kong by [REDACTED]. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

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13. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

Under the present Companies Law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Consultation with professional advisers*

Intending holders of 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 or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the [REDACTED] can accept 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 or exercising any rights attaching to them.

14. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been allotted and issued, agree to be allotted and issued or is proposed to be allotted and issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of the Company have been allotted and issued or agreed to be allotted and issued;
- (b) no share, warrant or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

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- (c) the Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2015, being the date on which the latest audited financial information of the Group was reported in the Accountants' Report set out in Appendix I to this document; and
- (d) the Directors confirm that there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 24 months immediately preceding the date of this document.

15. Bilingual Document

Pursuant to section 4 of the Company Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this document are being published separately.

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents as referred to in the paragraph headed "7. Qualifications of experts" under the section headed "E. Other information" in Appendix IV to this document and copies of the material contracts as referred to in the paragraph headed "1. Summary of material contracts" under section headed "B. Further information about the business of the Group" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of ONC Lawyers at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

1. the Memorandum and the Articles;
2. the Accountants' Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
3. the audited financial statements of the Group during the Track Record Period;
4. the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this document;
5. the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Companies Law as referred to in Appendix III to this document;
6. the legal opinion issued by ONC Lawyers, the Hong Kong legal advisers to the Company, in respect of certain statements referred to in this document;
7. the internal control report prepared by Baker Tilly, the Group's internal control consultant;
8. the Companies Law;
9. the rules of the Share Option Scheme;
10. the material contracts as referred to in the paragraph headed "1. Summary of material contracts" under the section headed "B. Further Information about the business of the Group" in Appendix IV to this document;
11. the service agreements and letters of appointment as referred to in the paragraph headed "2. Particulars of Directors' service agreements and appointment letters" under the section headed "C. Further information about the Directors and substantial shareholders" in Appendix IV to this document; and
12. the written consents as referred to in the paragraph headed "7. Qualifications of experts" under the section headed "E. Other information" in Appendix IV to this document.