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Post Hearing Information Pack of

FDB HOLDINGS LIMITED

豐展控股有限公司

(the “Company”)

(incorporated in the Cayman Islands with limited liability)

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FDB HOLDINGS LIMITED
豐展控股有限公司

(incorporated in the Cayman Islands with limited liability)

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

**Number of [REDACTED] Shares : [REDACTED] Shares (comprising
[REDACTED] New Shares and
[REDACTED] Sale Shares)**
**[REDACTED] Price : HK\$[REDACTED] per [REDACTED]
Share (payable in full upon application,
plus brokerage of 1%, SFC transaction
levy of 0.0027% and Stock Exchange
trading fee of 0.005%)**
Nominal value : HK\$[REDACTED] 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

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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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 (i) contracting service for alteration and addition works, maintenance, specialist works and new development; and (ii) consulting service for alteration and addition, new development, licensing, Building Services, and architectural design for buildings in Hong Kong. Set out below is an overview of the Group’s businesses:

(a) Contracting service

For contracting service, the Group mainly undertakes alteration and addition works, renovation and maintenance for new and existing buildings and facilities in Hong Kong either as a main contractor or subcontractor. The Group’s contracting service covers various types of buildings, including residential, commercial (e.g. office and hotel), industrial, institutional (e.g. hospital and school) and shops, and the purposes of such works include changing the use of building or renovating the facility. The Group also undertakes demolition works, and building works for house, façade and signage.

In a contracting project acting as either the main contractor or as a subcontractor, the Group is responsible for organising a project team for the overall implementation of the project according to the scope of work, which generally included planning, construction, monitoring and supervision until completion. The project team manages the cost, time and quality of the project through the arrangement of subcontractors, material and equipment procurement and direct labour employment.

The Group generally assigns its in-house team of direct workers to perform part of the site works and engages subcontractors to perform the remaining part of the site works. The Group leverages on the expertise of its in-house team of professional staff with project management experience and engineering knowledge to deliver quality work in conformity with customer’s expectation and prescribed timeframe.

Customers of the Group’s contracting service mainly include landlords/property developers and main contractors who contract all or part of the works to other subcontractors, such as the Group.

Revenue from a contracting project mainly represents the contracting fee income, while main costs include subcontracting charges incurred by the Group, staff costs of in-house staff involved, costs of material and other supplies required for the performance of the works.

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(b) Consulting service

For consulting service, the Group mainly provides to customers (i) Authorized Person services in preparing, submitting and obtaining approval from the relevant Government authorities for plans of building works, including new development or alteration and addition, and/or performing statutory supervision duties until certification upon work completion; (ii) licensing consultancy services including designing layout and obtaining clearance from the relevant Government authorities for licensing of restaurants, food and beverage outlets, food factories, hotels, guesthouses, etc.; (iii) design for Building Services systems installation for buildings and premises; and (iv) architectural design for new development, alteration and addition, renovation and fitting-out for buildings/premises in Hong Kong.

For Authorized Person services, the Group is responsible for the provision of professional services from feasibility study, design of plans, submission to and liaison with Government authorities and site supervision until work completion. For feasibility study, the Group provides advice and checking for development parameters with respect to, among other things, statutory requirements and constraints imposed by any contractual arrangements. The Group's professional staff acts as the Authorized Persons in the preparation of prescribed plans and documents under the Buildings Ordinance for building works (for both new development or alteration and addition works) based on customers' requirements and parameters of the premises and in conformity with the applicable laws and regulations in Hong Kong. The Group then submits the plans and documents to the Building Authority for processing, and liaise with and obtain approval on the submitted plans from related Government authorities. Subject to the terms of the engagement, the Group may continue the Authorized Person's role in supervising the execution of site works as per statutory requirements until the issuance of occupation permits and acknowledgement letters for new developments and alteration or addition works respectively upon completion of the building works.

For licensing consultancy services, the Group is responsible for the layout design and associated submissions for restaurants, food and beverage outlets, food factories, etc. in conformity with the applicable laws and regulations in Hong Kong for the purpose of obtaining the relevant licences to carry out their businesses. Such licences include restaurant licence and food factory licence. The Group then submits the plans and documents to the corresponding licensing authorities, and liaises with and obtains letters of requirements on the submitted plans and documents from the licensing authority. Upon completion of site works, the Group coordinates and makes submissions for certification along with the related documents to the licensing authority and follows through required inspections by related Government authorities until the issuance of licences to the customers.

On top of consulting services relating to new development or alteration and addition works, the Group also provides designing services for Building Services systems installation in a consulting project, which is essential to the functioning of a building. The Group can also offer architectural design in parallel with design for building works for new development or alteration and addition works in a consulting project. For renovation or fitting-out works not requiring statutory submissions to be made by the Group, the Group can also provide interior design service to customers separately.

SUMMARY

The Group maintains an in-house team of professional staff specialised in surveying, architecture and engineering, and Authorized Persons who are eligible to submit to and obtain approval from the relevant Government authorities on the proposals for new development or alteration and addition works, to offer the aforesaid consulting services.

Customers of the Group's consulting service mainly include (i) for Authorized Person services, landlord/property developer and main contractor; and (ii) for licensing services, business operators of restaurants, food and beverage outlet, food factories, etc. who require licensing for their business premises with layout design complied with the applicable laws and regulations. Consulting projects undertaken during the Track Record Period included redevelopment of sites and alteration and addition to utilise existing buildings for different purposes, such as residential/office property-to-hotel conversion.

Revenue from a consulting project mainly represents the consulting fee income, while main costs include staff costs of in-house staff involved for the provision of the related consulting project and subconsulting charges.

The following table sets out the number of projects with engagement confirmed during the Track Record Period:

	Number of projects with engagement confirmed			
	For the year		For the three months	
	ended 31 December	ended 31 December	ended 31 March	ended 31 March
	2013	2014	2014	2015
Contracting service	28	37	4	3
Consulting service	<u>136</u>	<u>169</u>	<u>36</u>	<u>28</u>
	<u><u>164</u></u>	<u><u>206</u></u>	<u><u>40</u></u>	<u><u>31</u></u>

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The following table sets out the number of projects with revenue contribution to the Group during the Track Record Period:

	Number of projects with revenue contribution			
	For the year		For the three months	
	ended 31 December		ended 31 March	
	2013	2014	2014	2015
Contracting service	38	54	24	19
Consulting service	<u>199</u>	<u>259</u>	<u>73</u>	<u>74</u>
	<u><u>237</u></u>	<u><u>313</u></u>	<u><u>97</u></u>	<u><u>93</u></u>

CUSTOMERS AND SUPPLIERS

The Group’s top five customers accounted for approximately 59.8%, 59.5% and 58.1% of the total revenue for the two years ended 31 December 2013 and 2014 and the three months 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 paragraph headed “Customers — customer concentration” in the section headed “Business” in this document.

Besides, the Group’s top five suppliers accounted for approximately 30.0%, 34.3% and 32.6% of the total purchases for the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 respectively.

During the Track Record Period, all of the Group’s new businesses were obtained through direct invitation for tender or quotation by customers. The success rates of attaining engagement for projects tendered and quoted for contracting and consulting services together were approximately 26%, 40% and 32% for the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, respectively. Please refer to the paragraph headed “Sales and marketing” under the section headed “Business” in this document for further details.

COMPETITIVE LANDSCAPE

There are numerous contractors in Hong Kong that provide services in relation to (i) alteration and addition works, maintenance and new development; (ii) demolition and site formation; and (iii) consulting services including but not limited to submitting and obtaining approval from the relevant Government authorities for plans of building works. Market competition is fierce and the Directors consider that there are entry barriers 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) being able to attract 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, prospect of the property market, interest rate and

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inflation rate. All of the above factors create entry barriers for the Group’s potential competitors. For details of the competitive landscape and the future opportunities and challenges faced by the Group, please refer to the section headed “Industry overview” 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) diversified customer base with good relationship maintained; (iii) integrated one-stop alteration and addition contracting and consulting services; and (iv) expertise to deliver value added services. Please refer to the paragraph headed “Competitive strengths” under the section headed “Business” in this document for further details.

FINANCIAL INFORMATION

The table below sets forth selected information and analysis from the consolidated statements of profit or loss and other comprehensive income of the Group:

Results of operations

	For the year ended 31 December		For the three months 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	191,961	199,554	37,848	37,433
Gross profit	29,344	39,064	6,522	7,450
Profit before tax	13,679	23,214	1,467	3,462
Profit and total comprehensive income for the year/period	11,288	19,120	1,229	2,793

The following table sets out a breakdown of the Group’s revenue during the Track Record Period by business segments:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
					(unaudited)			
Contracting service	162,137	84.5	158,140	79.2	31,217	82.5	28,889	77.2
Consulting service	29,824	15.5	41,414	20.8	6,631	17.5	8,544	22.8
Total	<u>191,961</u>	<u>100.0</u>	<u>199,554</u>	<u>100.0</u>	<u>37,848</u>	<u>100.0</u>	<u>37,433</u>	<u>100.0</u>

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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 three months ended 31 March			
	2013		2014		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	% (unaudited)	HK\$'000	%
Contracting service	14,447	8.9	19,092	12.1	4,679	15.0	4,783	16.6
Consulting service	14,897	49.9	19,972	48.2	1,843	27.8	2,667	31.2
	<u>29,344</u>	<u>15.3</u>	<u>39,064</u>	<u>19.6</u>	<u>6,522</u>	<u>17.2</u>	<u>7,450</u>	<u>19.9</u>

The revenue of the Group increased slightly by approximately 4.0% for the year ended 31 December 2014, which (i) was mainly attributable to an increase in revenue from consulting service of approximately 38.9% due to greater demand for the Group's consulting service as reflected by the increase in number and average revenue recognised from consulting projects with revenue contribution during the year; and (ii) was partly offset by a slight decrease in revenue recognised from contracting service of approximately 2.5% for the year ended 31 December 2014, as more contracting projects of relatively lower contract sum were undertaken by the Group in 2014.

The revenue of the Group decreased slightly by approximately 1.1% for the three months ended 31 March 2015, which (i) was mainly attributable to a decrease in revenue recognised from contracting service of approximately 7.5% for the three months ended 31 March 2015; and (ii) was partly offset by an increase in revenue recognised from consulting service of approximately 28.8% for the three months ended 31 March 2015 due to the fact that there was greater demand for the Group's consulting service as reflected by the increase in the average revenue recognised of consulting projects with revenue contribution during the period. Notwithstanding the decrease in revenue from contracting service, the contract sum per contracting project with engagement confirmed increased significantly from approximately HK\$1.5 million for the three months ended 31 March 2014 to approximately HK\$27.4 million for the three months ended 31 March 2015 which was mainly due to the engagement for a contracting project with contract sum of HK\$81.6 million entered into during the three months ended 31 March 2015.

The Group's gross profit margin increased from approximately 15.3% for the year ended 31 December 2013 to approximately 19.6% for the year ended 31 December 2014. Such increase was mainly due to an increase in revenue from consulting service by approximately 38.9% which had a higher gross profit margin of approximately 48.2% as compared with that of contracting service of approximately 12.1% for the year ended 31 December 2014.

The Group's gross profit margin increased from approximately 17.2% for the three months ended 31 March 2014 to approximately 19.9% for the three months ended 31 March 2015. Such increase was mainly due to an increase in gross profit margin for both contracting and consulting business.

SUMMARY

The Group’s net profit increased by approximately 69.4% from approximately HK\$11.3 million for the year ended 31 December 2013 to approximately HK\$19.1 million for the year ended 31 December 2014, and it increased by approximately 127.3% from approximately HK\$1.2 million for the three months ended 31 March 2014 to approximately HK\$2.8 million for the three months ended 31 March 2015. The aforesaid increases in net profit of the Group during the Track Record Period were mainly due to, among others, increase in revenue from consulting service which has a higher gross profit margin than the contracting service.

Please refer to the section headed “Financial information” in this document for further discussion and analysis of the Group’s financial information.

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

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Current assets	93,735	120,300	97,794
Current liabilities	72,657	80,461	65,262
Non-current assets	1,502	1,903	2,003
Non-current liabilities	146	188	188
 Total equity	 22,434	 41,554	 34,347

The equity of the Group increased from approximately HK\$22.4 million as at 31 December 2013 to approximately HK\$41.6 million as at 31 December 2014 which was primarily resulted from the profit for the year of approximately HK\$19.1 million. The decrease in equity of the Group from approximately HK\$41.6 million as at 31 December 2014 to approximately HK\$34.3 million as at 31 March 2015 was mainly attributable to the dividend declared to Mr. Ng of HK\$10 million.

SUMMARY

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

	For the year ended		For the three months ended	
	31 December		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 operating activities	8,567	12,411	1,961	17,498
Net cash used in investing activities	(4,474)	(884)	(2,029)	(14,030)
Net cash used in financing activities	(182)	(2,741)	(2,646)	(2,395)
Net increase/(decrease) in cash and cash equivalents	3,911	8,786	(2,714)	1,073
Cash and cash equivalents at beginning of the year/period	202	4,113	4,113	12,899
Cash and cash equivalents at end of the year/period	4,113	12,899	1,399	13,972

The cash and cash equivalents, comprising bank balances and cash and pledged bank deposit, increased from approximately HK\$4.1 million as at 31 December 2013 to approximately HK\$12.9 million as at 31 December 2014 which was mainly attributable to the profit for the year of approximately HK\$19.1 million for the year ended 31 December 2014. The cash and cash equivalents remained stable at approximately HK\$12.9 million as at 31 December 2014 and approximately HK\$14.0 million as at 31 March 2015.

Key financial ratios

	For the year ended/		For the three
	As at 31 December		months
	2013	2014	ended/As at
			31 March
			2015
Current ratio	1.29	1.49	1.49
Gearing ratio	1.23	0.59	0.81
Return on total assets	12%	16%	3%
Return on equity	50%	46%	8%

The increase in current ratio from 2013 to 2014 was mainly attributable to the profit for the year ended 31 December 2014 which improved the working capital position of the Group. The decrease in gearing ratio was attributable to the decrease of bank borrowings from approximately HK\$12.6 million as at 31 December 2013 to approximately HK\$10.0 million as at 31 December 2014 and the increase in

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equity from approximately HK\$22.4 million as at 31 December 2013 to approximately HK\$41.6 million as at 31 December 2014. The increase in return on total assets from 2013 to 2014 was attributable to the increase in profit from approximately HK\$11.3 million for the year ended 31 December 2013 to approximately HK\$19.1 million for the year ended 31 December 2014 which represented approximately 69.4% increase. The decrease in return on equity from 2013 to 2014 was attributable to the relatively higher equity as at 31 December 2014 comparing with 31 December 2013 which outweighed the increase in profit from approximately HK\$11.3 million for the year ended 31 December 2013 to approximately HK\$19.1 million for the year ended 31 December 2014.

Please refer to the paragraph headed “Key financial ratios” under the section headed “Financial information” in this document for further details.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, the Group failed to comply with certain legal requirements applicable to the Group, namely using powered mechanical equipment without valid construction noise permit and not making a billing account application in relation to charges for disposal of construction waste. Please refer to the paragraph headed “Non-compliance” in the section headed “Business” in this document for details of such non-compliance incidents and the respective rectification measures taken.

SHAREHOLDING OF THE COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED] and not taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the Company will be owned as to (i) [REDACTED] by Masterveyor, which is an investment holding company incorporated in the BVI and wholly and directly owned by Mr. Ng; and (ii) [REDACTED] by [REDACTED]. Mr. Ng is the founder of the Group, the chairman of the Board and an executive Director. Mr. Ng does not, directly or indirectly, carry on, participate or engage in, nor is he otherwise interested in, any other business which is or may be in competition with the business of the Group. Please refer to the paragraph headed “Directors — Executive Directors” under the section headed “Directors and senior management” in this document for the biographical information of Mr. Ng.

RISK FACTORS

There are certain risks involved in the Group’s operations and in connection with the [REDACTED], many of which are beyond control. In particular, the Group relies on top five customers during the Track Record Period. The other relatively material risks encompass (i) loss of authorised signatory and technical director for the Group’s registration maintained with Buildings Department and Authorized Persons employed by the Group; (ii) lower-than-expected profits on the projects and even incur losses if fail to accurately estimate and control the project costs; (iii) occurrence of penalties and additional costs caused by project delays; and (iv) changes in subcontracting charges and the availability and performance of the Group’s subcontractors. 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 and the [REDACTED] are set out in the section headed “Risk factors” in this document.

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[REDACTED] EXPENSES

The underwriting commission of approximately HK\$[REDACTED] million is shared by the Company and the Selling Shareholder based on the proportion of the [REDACTED] New Shares and [REDACTED] Sale Shares offered by the Company and the Selling Shareholder respectively. The total expenses (excluding the underwriting commission to be borne by the Selling Shareholder) in connection with the [REDACTED], which are expected to amount to approximately HK\$[REDACTED] million, are borne by the Company.

The [REDACTED] expense is non-recurring in nature. Out of the total HK\$[REDACTED] million in [REDACTED] expense, the Group has incurred approximately HK\$[REDACTED] million (including approximately HK\$[REDACTED] million recognised as expense in the consolidated statements of profit or loss and other comprehensive income) during the three months ended 31 March 2015. For the remaining amount of approximately HK\$[REDACTED] million, the Group expects to further recognize approximately HK\$[REDACTED] million in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2015. 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.

BUSINESS STRATEGIES, REASONS FOR THE [REDACTED] AND [REDACTED]

The Group intends to strengthen its market position in Hong Kong by way of (i) further developing the Group's contracting and consulting business; (ii) further expanding the scope of services; and (iii) further strengthening the Group in-house team of professional staff.

With respect to further developing the Group's contracting and consulting business, the Directors believe that the [REDACTED] from the [REDACTED] will strengthen the Group's available financial resources, thereby allowing the Group to undertake more projects of larger scale which are more working capital demanding and include those that require the provision of surety bond, which are required by some contracting projects in the construction industry.

With respect to further expanding the scope of services, the Group intends to expand its contracting and consulting services from time to time and apply for additional licences, permits or qualifications which may be required. For instance, the Group intends to make application to the Buildings Department for the registration as a registered specialist contractor (foundation), in order to expand its scope of services of contracting service to include foundation works. Moreover, the Group also intends to undertake more projects in relation to construction of new building.

With respect to further strengthening the Group's in-house team of professional staff, the Group intends to, among others, expand its in-house team of professional staff by recruiting additional qualified and experienced staff, including surveyors and engineers, in order to cope with its business development for both contracting and consulting services by undertaking projects of larger scale and of higher complexity.

SUMMARY

The Directors believe that the [REDACTED] will enhance the Group’s profile and the [REDACTED] from the [REDACTED] will strengthen the financial position and will enable the Group to implement its business plans set out in the section headed “Statement of business objectives and [REDACTED]” in this document. Furthermore, a public [REDACTED] 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.

The [REDACTED] from the [REDACTED], after deducting the related expenses, are estimated to be approximately HK\$[REDACTED] million. The Directors presently intend that the [REDACTED] will be applied as follows:

	From the Latest Practicable Date to		For the six months ending			Total
	31 December	30 June	31 December	30 June	31 December	
	2015	2016	2016	2017	2017	
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	
Further developing the Group’s contracting and consulting business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further expanding the scope of services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening the Group in house team of professional staff	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[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 [REDACTED] 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.

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

Among the [REDACTED] Shares of [REDACTED] Shares, there are an aggregate of [REDACTED] Sale Shares offered by the Selling Shareholder at the [REDACTED] Price. The [REDACTED] to be received by the Selling Shareholder from the sale of the Sale Shares will amount to approximately HK\$[REDACTED] million. The Company will not receive any of the [REDACTED] from the sale of the Sale Shares by the Selling Shareholder under the [REDACTED].

SUMMARY

DIVIDENDS

For each of the two years ended 31 December 2013 and 2014, the Group did not declare any dividends to its then shareholder. In March 2015, the Group declared interim dividends in the aggregate amount of HK\$10 million to Mr. Ng, which had been fully paid in March 2015 and the Group financed the payment of such dividends by offsetting an equivalent amount due from Mr. Ng. In April 2015, the Group declared special dividends in the aggregate amount of HK\$12 million to Mr. Ng. The Group financed the partial payment of such dividends by offsetting the entire amount due from Mr. Ng, with the remaining balance of approximately HK\$3.8 million repaid by the Group’s internal resources in May 2015. 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 declaration of any final dividend would require the approval of the Board and depend upon the factors stated in the paragraph headed “Dividend policy” under the section headed “Financial information” in this document.

[REDACTED]

RECENT DEVELOPMENT SUBSEQUENT TO 31 MARCH 2015

As at 31 March 2015, the Group had 11 contracting projects and 72 consulting projects in progress. Subsequent to the Track Record Period and up to the Latest Practicable Date, 20 new contracting projects and 95 new consulting projects were commenced or to be commenced. As at the Latest Practicable Date, the Group had a total of 116 projects in progress (including projects that have commenced but not completed and projects that have been awarded to the Group but not yet commenced), of which 21 were contracting projects and 95 were consulting projects. The amount of revenue expected to be recognised from projects in progress after the Latest Practicable Date are approximately HK\$151.9 million for contracting projects and approximately HK\$82.8 million for consulting projects, adding to a total of approximately HK\$234.7 million for all projects in progress, which is calculated by subtracting the amount of revenue recognised from both contracting and consulting projects (comprising those in progress 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) up to the Latest Practicable Date from the respective contract sum plus variation orders issued prior to the Latest Practicable Date, if any.

SUMMARY

For contracting service, out of the 21 contracting projects in progress, 16 are expected to be completed from the Latest Practicable Date to 31 December 2015 and five are expected to be completed from 1 January 2016 to 31 December 2016, with revenue of approximately HK\$91.3 million expected to be recognised from the Latest Practicable Date to 31 December 2015 and approximately HK\$60.6 million expected to be recognised from 1 January 2016 to 31 December 2016. For consulting service, as consulting projects generally do not have a prescribed timeframe for obtaining approval from Government authorities under the terms of the contract, the expected completion date and accordingly the expected time of full revenue recognition cannot be estimated. Please refer to the paragraph headed "Projects in progress" under the section headed "Business" in this document for further details.

Save as the [REDACTED] expenses, the Group did not have any significant non-recurring items in its consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period.

The net current assets of the Group as at 31 July 2015 were approximately HK\$18.9 million. Subsequently, the outstanding balance of all amounts due to a director and from related parties will be settled before the [REDACTED]. As at 31 July 2015, approximately 62.2% of the outstanding receivables as at 31 March 2015 has been subsequently settled and approximately 59.1% of the outstanding payables as at 31 March 2015 has been subsequently settled.

NO MATERIAL ADVERSE CHANGE

Saved as disclosed in the paragraph headed "[REDACTED] expenses" in this section, the Directors confirm that, since 31 March 2015 and up to the date of this document, (i) there had been no material adverse change in the market conditions or the industry and environment in which the Group operates that materially and adversely affect its financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of the Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this document.

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 amended and restated articles of association of the Company conditionally adopted on 16 September 2015 which shall become effective upon commencement of trading of the Shares 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 internal control consultant of the Group
“Board”	the board of Directors
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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]	
[REDACTED]	

DEFINITIONS

[REDACTED]

“China PM (Holdings)”	China PM (Holdings) Limited, a company incorporated in Hong Kong with limited liability on 20 July 2007, which is a company formerly and wholly owned by Mr. Ng before the Reorganisation
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Companies Laws”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, 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”	FDB Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 19 March 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 Masterveyor and Mr. Ng
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 22 September 2015 provided by the Controlling Shareholders in favour of the Group relating to, among other matters, the tax liabilities of the Group as referred to in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this document
“Deed of Non-competition”	the deed of non-competition dated 22 September 2015 given by the Controlling Shareholders in favour of the Company (for itself and as trustee for our subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the paragraph headed “Deed of Non-competition” under section headed “Relationship with the Controlling Shareholders” in this document
“Director(s)”	the director(s) of the Company

DEFINITIONS

“FDB & Associates”	FDB & Associates Limited, a company incorporated in the BVI with limited liability on 24 February 2015, which is a direct wholly-owned subsidiary of the Company and the intermediate holding company of the Group upon completion of the Reorganisation
“FDBL”	Fruit Design & Build Limited, a company incorporated in Hong Kong on 7 December 2006 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the business operated by such subsidiaries
“Harvest Building”	Harvest Building Consultancy Limited, a company incorporated in Hong Kong on 11 July 2011 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“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
“HK\$” or “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	[REDACTED], the branch share registrar of the Company in Hong Kong
“Hong Kong Legal Advisers”	Khoo & Co., the legal advisers to the Company as to Hong Kong law

DEFINITIONS

“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 the Company or its connected person
“IRD”	Inland Revenue Department of Hong Kong
“Latest Practicable Date”	[16 September] 2015, being the latest practicable date prior to the printing of this document for ascertaining certain information referred to in this document
“Lead Manager” or “Bookrunner”	[REDACTED]
[REDACTED]	
[REDACTED]	
“Listing Division”	the Listing Division of the Stock Exchange
“Marvo Architecture”	Marvo Architecture Limited, a company incorporated in Hong Kong on 27 November 2013 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Masterveyor”	Masterveyor Holdings Limited, one of the Controlling Shareholders and a company incorporated in the BVI on 24 February 2015 with limited liability and wholly owned by Mr. Ng
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of the Company adopted on 16 September 2015, as amended from time to time
“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
“MOP”	Macao Pataca, the lawful currency of Macau Special Administrative Region of the PRC
“Mr. Lai”	Mr. Lai Pak Wei, an executive Director

DEFINITIONS

“Mr. Ng”	Mr. Ng Kin Siu, an executive Director and one of the Controlling Shareholders
“New Shares”	[REDACTED] new Shares being [REDACTED] by the Company for subscription at the [REDACTED] Price under the [REDACTED]
[REDACTED]	
“PRC”	the People’s Republic of China, and for the purpose of this document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Reorganisation”	the reorganisation of the Group for the purpose of the [REDACTED], as described in the paragraph headed “Reorganisation” under in the section headed “History, reorganisation and corporate structure” in this document and in the paragraph headed “A. Further information about the Company — 4. Corporate reorganisation”
“Sale Shares”	[REDACTED] existing Shares being offered by the Selling Shareholder for purchase at the [REDACTED] Price under the [REDACTED]
“SCCL”	Solomono Consulting & Contracting Limited, a company incorporated in Hong Kong on 16 April 2014 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Selling Shareholder”	Masterveyor, details of which are set out in the paragraph headed “E. Other information — 6. Particulars of the Selling Shareholder” in Appendix IV to this document
“SFC”	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

DEFINITIONS

“Share(s)”	ordinary share(s) 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 16 September 2015, the principal terms of which are summarized in the section headed “D. Share Option Scheme” in Appendix IV to this document
“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
“Sky Global”	Sky Global Construction Limited, a company incorporated in Hong Kong on 25 April 2014 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“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 Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Track Record Period”	the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015
“Underwriter”	the underwriter of the [REDACTED] whose name is set out in the paragraph headed “Underwriter” under the section headed “Underwriting” in this document

[REDACTED]

DEFINITIONS

“Win Lee”	Win Lee Building Engineering Limited, a company incorporated in Hong Kong on 10 May 1999 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Win Lee (Project Team B)”	Win Lee (Project Team B) Construction Limited, a company incorporated in Hong Kong on 14 April 2014 with limited liability and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“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.

“Authorized Person(s)”	a person whose name is on the authorized persons’ register kept under section 3(1) of the Buildings Ordinance as an architect, an engineer, or a surveyor
“Building Authority”	has the meaning ascribed to it under the Buildings Ordinance and, as at the Latest Practicable Date, means the Director of Buildings of the Government
“Buildings Department”	the Buildings Department of Hong Kong
“Building Services”	the types of building related systems in relation to (i) air-conditioning system; (ii) electrical system; (iii) fire services system; and (iv) plumbing and drainage system
“ISO”	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“surety bond”	a bond issued by a bank to guarantee the satisfactory completion of a project by a contractor such that if the contractor fails to perform according to requirements in the contract, the contractor’s customer is guaranteed compensation for any monetary loss up to the amount of the surety bond

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 [REDACTED];
- 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 our 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

Loss of (i) authorised signatory and technical director for the Group’s registrations maintained with the Buildings Department; and (ii) Authorized Persons employed by the Group may adversely affect the Group’s operations

With respect to contracting service, the Group maintained certain registrations with the Buildings Department. In order to maintain such registrations, the relevant members of the Group 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. The Building Authority imposes certain requirements on the qualifications and experience of such authorised signatory and technical director. Further information in this connection is disclosed in the paragraph headed “C. Licensing regime” in the section headed “Regulatory overview” and the paragraph headed “Licences and permits” in the section headed “Business” in this document.

Departure or disqualification of the Group’s authorised signatory or technical director may result in suspension of the Group’s registrations maintained with the Buildings Department if no replacement is identified and applied for. In the event that the Group’s authorised signatory or technical director leaves the Group, the Group may not be able to identify and recruit staff with adequate qualifications and experience eligible to become authorised signatory or technical director in a timely manner, thereby potentially resulting in suspension of the Group’s registrations maintained with the Buildings Department.

While as advised by the Hong Kong Legal Advisers, in respect of the provision of contracting service, the Group is not required to obtain any requisite licences, permits or approval other than the business registration, given that the Group subcontracts the site works to subcontractors who hold the requisite licences, permits or approval, certain potential customers may consider the registrations maintained by the tenderer during the tendering. In the event that the Group fails to identify suitable replacements for authorised signatories or technical directors in a timely manner and at reasonable cost, the Group’s competitiveness may be impaired and performance could be adversely affected.

With respect to consulting service, submission of plans to and obtaining approval from the Building Authority for Authorized Person services must be carried out by Authorized Person. As at the Latest Practicable Date, Mr. Ng and Mr. Lai, both being executive Directors, are Authorized Persons. In the event that the Group’s Authorized Persons leave the Group, the Group may not be able to identify and recruit Authorized Person for replacement in a timely manner. In such circumstances, the Group’s operations of consulting service could be adversely affected.

RISK FACTORS

The Group may achieve lower-than-expected profits on the projects and even incur losses if it fails to accurately estimate and control the project costs or rectifications for material defective works are required during the defect liability period of the projects

Most of the Group's turnover is derived from fixed-price contracts, with prices being determined by reference to the Group's tender submissions or quotations and substantially agreed to at the time a contract is awarded. The Group needs to estimate the time and costs involved in a project in order to determine the tender price/quotation. Particularly, contracting projects are in general labour intensive and labour cost is one of the major components of the project costs. However, the Group may fail to accurately estimate the costs to complete a project. The actual amount of total costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials, which may result in material deviation in the actual time and resources spent from initial estimation.

For contracting service, a defect liability period, which is generally 12 months from the date of the certificate of practical completion, is usually imposed by the Group's customers. During the defect liability period, the Group is responsible for, at its own expense, rectifying any defects of works carried out by the Group. Any rectifications for material defects carried out by the Group could lead to additional costs being incurred, which may result in cost overrun, and thus the profitability of the projects may be reduced or the Group may even incur losses on the projects.

If the costs for a project exceed the contracted price or the Group has to carry out any rectifications for material defects during the defect liability period of the projects, the Group may incur losses, which could materially and adversely affect the Group's financial condition and results of operations.

The Group may incur penalties and additional costs caused by project delays, which may in turn affect the payments schedule and adversely impact the Group's business and reputation

The Group is typically required to complete each project according to a fixed schedule as stated in the relevant contracts. However, projects may be delayed due to various factors that are beyond the Group's control, including weather conditions, availability of sufficient labour force, regulatory approval processes, government requirements, construction risk such as fire and the suspension of water and electricity supplies, and other factors. If the Group fails to timely complete a project in breach of the contractual obligations, it may be liable to compensate the client for losses or damages caused by the delay. Any delay in the completion of a project, whether or not caused by the Group, could also lead to additional costs being incurred, including costs to hire additional manpower as the Group may have to subsequently accelerate work progress in order to catch up to meet the scheduled time for completion. As the Group typically receives payment in stages based on project progress, any delay in the course of a project may postpone the receipt of anticipated payments which could have a material adverse effect on the Group's cashflow position. Moreover, any failure on the Group's part to complete a project on time could harm the Group's reputation in the industry and affect the Group's tenders for future contracts. As a result, the Group's reputation, business and financial condition could be materially and adversely affected.

RISK FACTORS

Changes in subcontracting charges and the availability and performance of the Group's subcontractors may adversely affect the Group's operations and profitability

In respect of contracting service, the Group generally assigns its in-house team of direct workers to perform part of the site works and engages subcontractors to perform the remaining part of the site works. Subcontracting charges are mainly affected by the complexity of the projects and changes in wages. For the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, subcontracting charges incurred by the Group amounted to approximately HK\$109.2 million, HK\$105.5 million and HK\$17.7 million, respectively, representing approximately 67.1%, 65.7% and 58.9% of the cost of services, respectively. Any substantial increase in subcontracting charges incurred by the Group in the future may have a significant impact on the gross profit margin.

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%
	Profit before tax per Accountants' Report				
Change in profit before tax	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2013	13,679	(5,458)	(10,917)	5,458	10,917
Year ended 31 December 2014	23,214	(5,274)	(10,548)	5,247	10,548
Three months ended 31 March 2014	1,467	(923)	(1,846)	923	1,846
Three months ended 31 March 2015	3,462	(883)	(1,766)	883	1,766
	Profit after tax per Accountants' Report				
Change in profit after tax	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2013	11,288	(4,558)	(9,116)	4,558	9,116
Year ended 31 December 2014	19,120	(4,404)	(8,807)	4,404	8,807
Three months ended 31 March 2014	1,229	(771)	(1,541)	771	1,541
Three months ended 31 March 2015	2,793	(737)	(1,474)	737	1,474

The Group is responsible for the work 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, the Group's operations and financial position may also be adversely affected.

RISK FACTORS

Any claims or legal proceedings to which the Group may become a party may have a material and adverse impact on the business

The Group may be subject to claims for personal injury and property damage arising in connection with the Group’s projects. The Group may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, contractual disputes with clients or subcontractors, labour disputes, workers’ compensation, and safety, environmental or other legal requirements. On 22 May 2015, the Group settled a claim in the sum of HK\$107,600 with the employees of a subcontractor of the Group, where wages have been settled by the Group in its interim payment to the subcontractor in January 2015 but the claimants claimed that they did not receive such wages from the subcontractor. Please refer to the paragraph headed “Litigations and claims” in the section headed “Business” in this document for further details. Legal proceedings can be time-consuming, expensive, and may divert management’s attention away from the operations of business. Any claims or legal proceedings to which the Group may become a party in the future may have a material and adverse impact on the business and should the Group be liable to pay compensations/fines/damages, its financial position will also be adversely affected.

The Group’s top five customers accounted for a substantial portion of revenue

The Group’s top five customers accounted for approximately 59.8%, 59.5% and 58.1% of the total revenue for the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015 respectively. In particular, approximately 30.5%, 18.8% and 22.6% of the Group’s total revenue were attributable to its largest customer for the two years ended 31 December 2013 and 2014 and for the three months 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. If any of these top customers were to substantially reduce the volume of works and/or the value of new contracts to the Group or to terminate the business relationship with the Group entirely, there can be no assurance that the Group would be able to secure new businesses from other customers for replacement. In addition, there can be no assurance that new businesses secured from other customers for replacement, if any, would be on commercially comparable terms. As such, the Group’s operations and financial performance may be adversely affected.

Past dividend distributions are not an indication of the Company’s future dividend policy

The Group did not declare any dividend to its then shareholders for each of the two years ended 31 December 2013 and 2014. In March 2015, the Group declared interim dividend of HK\$10 million to Mr. Ng, which was fully paid in March 2015 and financed by offsetting an equivalent amount due from Mr. Ng. In April 2015, the Group declared special dividends in the aggregate amount of HK\$12 million to Mr. Ng. The Group financed the partial payment of such dividends by offsetting the entire amount due from Mr. Ng, with the remaining balance of HK\$3.8 million repaid by the Group’s internal resources in May 2015. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Any future dividend declaration and distribution by the Group will be at the discretion of the Directors depending upon the Group’s financial results, the Shareholders’ interests, general business conditions, strategies and future expansion needs, the Group’s capital requirements, payment by its subsidiaries of cash dividends to the Company, possible effects on liquidity and financial position of the Group and such other factors as the Board may consider relevant.

RISK FACTORS

As a result, there is no reference to the basis for forecasting the amount of dividend payable in future in this document. The past dividend distribution record should not be used as a reference of the amount of dividend payable in the future.

The Group's liquidity and financial position may be adversely affected if its customers default in, or delay, their payment obligations

The Group issues invoice to customers for works completed and certified, or for meeting milestones as predetermined. The Group's customers mainly include landlords, property developers and main contractors. Some of them are subject to the credit risks of their customers and to the financial risks of their development projects not being able to proceed according to budget, or being delayed or terminated. As a result, the Group may encounter difficulties in collecting payments from customers who are having financial difficulties or delayed projects. The collection process is often time-consuming and administratively cumbersome. The Group cannot assure that the customers in the future will not default in, or delay, their payment obligations. In the event that the Group's customers default in all or a substantial portion of their payment obligations to the Group, the Group's financial condition may be materially and adversely affected.

Increase in trade receivables turnover days and retention receivables

The Group does not allow any credit period to its customers from contracting business and allows average credit ranging from 14 to 45 days to its customers from consulting services. Retention monies withheld by customers are generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% 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.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the trade receivables balances of the Group were approximately HK\$35.9 million, HK\$44.8 million and HK\$21.4 million respectively. As at 31 December 2013, 31 December 2014 and 31 March 2015, the trade receivables turnover days were approximately 69 days, 74 days and 79 days respectively. As at 31 December 2013, 31 December 2014 and 31 March 2015, the retention receivables of the Group were approximately HK\$3.8 million, HK\$8.4 million and HK\$8.2 million respectively. There can be no assurance that the customers will settle the invoices in a timely manner and in full or that retention money will be released to the Group by the customers in accordance with the contract terms after project completion. Any difficulty in collecting a substantial portion of the trade receivables or retention receivables could materially and adversely affect the Group's cash flows and financial positions.

The Group's turnover is derived substantially from non-recurring projects and the amount of turnover the Group could derive therefrom depends on the volume of business secured, which may vary from period to period

The Group's turnover is derived substantially from projects which are non-recurring in nature. The Group is in most occasions engaged by its customers on a project-by-project basis, therefore there is no guarantee that the Group will be able to secure new business from existing customers. Depending on the number of projects that the Group can secure, the amount of turnover the Group is able to derive therefrom may vary significantly from period to period. Accordingly, it is difficult to forecast the

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volume of future business. If the Group is unable to secure business from the existing customers or develop business relationships with any new customers, the Group's business, financial condition and results of operations could be materially and adversely affected.

Financial resources required to undertake projects for the contracting business

The aggregate number and size of projects that the Group is able to undertake in the contracting business hinges on the amount of the Group's available working capital because there are often time lags between making payments to the subcontractors and receiving payments from the customers. For contracting service, the Group makes progress payment application to customers based on the amount of work completed. Such application, however, is subject to examination by customers or their consultants. It generally takes around seven to 45 days for customers to certify the amount of works eligible for payment under the application. The Group can only proceed to invoice customers upon receipt of such certificate. For the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the trade receivable turnover days of the Group were approximately 69 days, 74 days and 79 days respectively. On the other hand, credit terms offered by the Group's suppliers generally range from payment on presentation of invoice to payment within 30 days after delivery of goods or performance of services, with trade payable turnover days for the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015 being approximately 54 days, 54 days and 55 days, respectively. Given such mismatch in cash flow between receiving payments from customers and making payments to suppliers which resulted in a disparity between the Group's trade receivable turnover days and trade payable turnover days during the Track Record Period, in the event that the Group fails to receive payments from its customers on a timely basis, the Group's cash flows and financial performance could be affected adversely and materially. If the Group chooses to pay the subcontractors only after receiving payments from the customers, the Group will risk its reputation for not being able to make payments on a timely manner, which could affect its ability to engage capable and quality subcontractors for the contracting business in the future. In addition, some contracting projects undertaken by the Group may involve the provision of surety bonds, which require the use of a substantial amount of the Group's cash resources. Failure to obtain sufficient financial resources required to undertake projects for the contracting business in the future may have material adverse impact to the operation and profitability of the Group.

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

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

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

The Group's direct labour costs that are classified as cost of services amounted to approximately HK\$27.8 million, HK\$31.5 million and HK\$7.7 million, respectively, representing approximately 17.1%, 19.6% and 25.6% of the cost of services for each of the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, 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 costs		+5%	+10%	-5%	-10%
	Profit before tax per Accountants' Report		Change in profit before tax		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	13,679	(1,388)	(2,777)	1,388	2,777
Year ended 31 December 2014	23,214	(1,573)	(3,147)	1,573	3,147
Three months ended 31 March 2014	1,467	(392)	(784)	392	784
Three months ended 31 March 2015	3,462	(384)	(768)	384	768
	Profit after tax per Accountants' Report		Change in profit after tax		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	11,288	(1,159)	(2,319)	1,159	2,319
Year ended 31 December 2014	19,120	(1,314)	(2,627)	1,314	2,627
Three months ended 31 March 2014	1,229	(327)	(654)	327	654
Three months ended 31 March 2015	2,793	(320)	(641)	320	641

The supply and cost of direct labour in Hong Kong are affected by the availability of staff in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. In addition, an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour). There is no assurance that the 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 further increase in the future. In such circumstances, the Group's profitability and operations could be adversely affected.

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Loss of the Group's in-house professional staff may adversely affect the Group's operations

The Group's in-house professional team comprised 19 members as at the Latest Practicable Date, eight of them were members of the Hong Kong Institute of Surveyors, five were members of the Royal Institution of Chartered Surveyors and three were members of the Hong Kong Institution of Engineering. The Group relies on its in-house of professional staff for the execution of both contracting and consulting services. For contracting service, the professional team is responsible for tendering, project planning and management, manpower and resources allocation and work supervision. For consulting service, the professional team is responsible for tendering, preparation of plans and submission documents, submission to, liaison with and obtaining approval from the relevant Government authorities.

In the event that members of the Group's professional team leave the Group, the Group may not be able to identify and recruit members with adequate qualification and experience to replace the departed staff in a timely manner. In such circumstances, progress of the Group's projects could be delayed while the Group's capacity to undertake new projects could be impaired, and the Group's operations could be adversely affected.

The Group may face uncertainties associated with its project in Nepal

On 18 March 2015, FDBL entered into a consulting contract of total contract sum of approximately US\$2.3 million (equivalent to approximately HK\$17.9 million) with a PRC government department in relation to the provision of supervision service by FDBL on a construction work in Nepal.

The Group has no prior experience in undertaking contracting or consulting project in Nepal. The Group may be unfamiliar with the applicable rules and regulations in Nepal, and may face difficulty in carrying out its duties under the contract. In such circumstance, additional costs may be incurred in providing the required service under the contract and the profitability of such project may be adversely affected.

The recent earthquake in Nepal did not affect the work site in Nepal as at the Latest Practicable Date. However, there is no assurance that the progress of construction for the Group's project in Nepal may not be affected in future. Since earthquake is a natural disaster or force majeure event which is out of control of the Group, the Group cannot guarantee that its business operation and thus its financial position will not be adversely affected by any earthquake and/or other natural disasters which may occur in future.

The Group is exposed to environmental liability

The Group's operations are subject to a variety of environmental laws and regulations in Hong Kong. There are also standards imposed by environmental laws and regulations in respect of air pollution control, noise control and waste disposal which the Group is subject to. Please refer to the section headed "Regulatory overview" in this document for a more detailed discussion of these laws, regulations and standards. Failure by the Group to comply with environmental laws and regulations could cause delays in expansion plans, affect the Group's public image and seriously harm the Group's business. In addition, failure to comply with these laws and regulations could subject the Group to substantial fines, clean-up costs and environmental liabilities or even suspension of operations which could materially and adversely affect the operating results and prospects of the Group.

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Failure to renew the Group’s existing tenancy agreements or increases in rental expenses may adversely affect the Group’s operation and financial performance

As at the Latest Practicable Date, the Group leased five properties in Hong Kong, two of which were for general office and operational use, one was for temporary office for a contracting project and two were used as staff quarters. All of the existing tenancy agreements we have entered into will expire before 30 September 2016. Please refer to the paragraph headed “Properties” under the section headed “Business” in this document for further details. Operating lease rentals in respect of office premises increased by approximately HK\$1.1 million, or approximately 127.9%, from approximately HK\$0.9 million for the year ended 31 December 2013 to approximately HK\$2.0 million for the year ended 31 December 2014. In the event that the Group fails to renew its existing tenancy agreements and locate new premises at comparable rental rate, or such renewals are subject to considerable increase in rents, the Group’s operation and financial performance may be adversely affected.

The Group’s operational and financial performance is affected by seasonality

For the two years ended 31 December 2013 and 2014, the Group’s revenue amounted to approximately HK\$192.0 million and HK\$199.6 million, respectively, and in contrast, for the three months ended 31 March 2014 and 2015, the Group’s revenue amounted to only approximately HK\$37.8 million and HK\$37.4 million, respectively. The Directors believe that the number of projects with engagement confirmed in the first quarter is relatively lower than that of the other quarters of the year in Hong Kong due to the Chinese New Year. Such seasonality effect leads to relatively poorer operational and financial performance in the first quarter as compared with the rest of a year.

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

For the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, the Group’s revenue amounted to approximately HK\$192.0 million, HK\$199.6 million and HK\$37.4 million, respectively; the Group’s gross profit amounted to approximately HK\$29.3 million, HK\$39.1 million and HK\$7.5 million, respectively (representing gross profit margin of approximately 15.3%, 19.6% and 19.9%, respectively); while the Group’s net profit amounted to approximately HK\$11.3 million, HK\$19.1 million and HK\$2.8 million respectively (representing net profit margin of approximately 5.9%, 9.6% and 7.5% respectively). However, such trend of historical financial information of the Group is a mere analysis of the past performance only and does not have any positive implication on and may not necessarily reflect the financial performance of the Group in the future. The future performance of the Group will depend on, among other things, the ability to secure new businesses and to control the costs and will be subject to risk factors set out in this section. Profit margins for contracting and consulting projects may fluctuate from project to project due to factors such as the accuracy of the estimation of the Group’s costs when committing to the amount of fees and the complexity of the project. There is no assurance that the Group’s profit margins in the future will remain.

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The Group is liable to pay the amount of tax undercharged and may be subject to penalty or surcharge imposed by the IRD

As discussed in the paragraph headed “Tax liabilities” in the section headed “Financial information” in this document, there were understatements in the profits reported in the tax return filed by the Group for the year of assessment 2012/2013 and 2013/2014 due to accounting errors made during the preparation of the statutory financial information of the Group’s subsidiaries for the years ended 31 December 2012 and 31 December 2013, and the resulted tax undercharged were approximately HK\$1.4 million and HK\$1.5 million for the year of assessment 2012/2013 and 2013/2014, respectively. The amount of tax undercharged and any resulting penalty or surcharge are subject to the assessment of the IRD. The Controlling Shareholders have agreed to indemnify the Group in respect of any further tax liability and/or the resulting penalty or surcharge as assessed by the IRD in relation to the tax undercharged for the years of assessment 2012/2013 and 2013/2014 for which the Group may be liable. For details in relation to the indemnity, please refer to the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this document. In the event that the Controlling Shareholders fail to repay the Group for any further tax liability in relation to the tax undercharged and/or the resulting penalty or surcharge the financial performance of the Group may be adversely affected.

The Group is dependent on key personnel and there is no assurance that the Group can retain them

The Directors believe that the success, to a large extent, is attributable to, among other things, the contribution of each of the executive Directors and members of the senior management team, namely, Mr. Ng, Mr. Lai, Mr. Chung Yuk Ming, Christopher, Mr. Ip Kong Ling and Mr. Yu Hung Kwan, Jason. Details of their expertise and experience are set out in the section headed “Directors and senior management” in this document. The key personnel as well as their management experience in the contracting and consultancy industry in Hong Kong and their expertise are crucial to the Group’s operations and financial performance.

There could be an adverse impact on the Group’s operations should any of the executive Directors terminate his service agreement with the Group or otherwise cease to serve the Group and appropriate persons could not be found to replace them. There is no assurance that the Group will be able to attract and retain capable staff or that they will not resign in the future.

Failure to renew any licences and permits of the Group may have adverse impact to the Group’s business operation

The Group and the Directors hold a number of registrations and licences that are material to the business operations of the Group in Hong Kong and details of which are disclosed in paragraph headed “Licences and permits” in the section headed “Business” in this document.

Renewal of the aforementioned registrations with the Buildings Department is required every three years. Pursuant to the Buildings Ordinance, the Building Authority may refuse an application for renewal of registration (a) if he is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or (b) if the applicant fails to provide relevant information and documentary proof required by the Building Authority. According to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, in considering an application for renewal of registration, the Building Authority may take into account, among other factors, whether the applicant is

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inactive in the relevant works and whether the applicant has any conviction, disciplinary or suspension records in respect of labour safety offences, malpractice or misconduct in building works or construction related activities, provisions under the Buildings Ordinance, etc. In the event of non-renewal of such registrations or if the Group fails to remain on the list, the reputation and the ability to obtain future businesses could be materially and adversely affected.

The business strategies of the Group may not be successful or be achieved within the expected time frame or within the estimated budget

The key business strategies of the Group includes (i) further developing the Group's contracting and consulting business; (ii) further expanding the scope of services; and (iii) further strengthening the Group's in-house team of professional staff. However, the Group's business strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that the Group will be able to successfully maintain or increase the market share or grow the business successfully after deploying the Group's management and financial resources. Any failure in maintaining the Group's current market position or implementing the Group's business strategies could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's financial performance is expected to be affected by the Group's [REDACTED] expenses

The Group's financial results for the year ending 31 December 2015 will be affected by non-recurring expenses in relation to the [REDACTED]. Whether or not the [REDACTED] eventually occurs, a major portion of the [REDACTED] expenses will be incurred and recognised as expenses, which will reduce the Group's net profit and therefore negatively affect the Group's future financial performance. The estimated expenses in relation to the [REDACTED] to be borne by the Group is approximately HK\$[REDACTED] million. The Group expects to recognise approximately HK\$[REDACTED] million in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2015 and to deduct the remaining of approximately HK\$[REDACTED] million from the Group's capital. In addition, if the [REDACTED] were to be postponed due to market conditions, additional [REDACTED] expenses would also be incurred for future [REDACTED] plan. This would further affect the Group's future net profit negatively. As a result, the Group's business, financial condition, operating results and prospect would be adversely affected.

The Group may fail to maintain its reputation and this can adversely affect the Group's business, financial condition and results of operations

Reputation that the Group has built up over the years play a significant role in attracting customers and securing projects. During the Track Record Period, most of the contracting and consulting projects were obtained through direct invitation for tendering or quotation or repeated customers. Whether or not the Group can maintain or promote its reputation depend largely on the Group's ability to provide quality and timely service to customers. The reputation of the Group could be adversely affected if the customers no longer perceive products and services of the Group to be of a high quality. This will in turn negatively affect the Group's business, financial condition and results of operations.

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

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

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

The Group is not insured against certain types of liabilities, such as liabilities arising from acts of God or other natural disasters, because they are either uninsurable or not cost justifiable to be insured against. In the event that an uninsured liability arises, the Group may suffer losses which may adversely affect our financial position.

The Group is reliant on the availability of contracting and consulting projects in Hong Kong

The Group’s business performance is generally affected by the number and availability of contracting and consulting projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to Hong Kong property markets, the general conditions of property markets in Hong Kong, and the amount of investment in the construction of new structure and improvement of existing structure. Unfavourable changes in these factors may result in a significant decrease in the number of contracting and consulting projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong may lead to a significant decline in the number of construction projects and maintenance of buildings and/or facilities in Hong Kong, thereby resulting in a decline in the number of contracting and consulting projects available. There is no assurance that the number of contracting and consulting projects in Hong Kong will not decrease in the future. In the event that the availability of contracting and consulting works decreases as a result of a decrease in the number of construction and maintenance projects in Hong Kong, the Group’s business in general and the results of operations may be adversely and materially affected.

The Group may incur extra cost in workers training and recruitment 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 construction industry 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 promulgated by the Government. Cost of workers may also increase

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following the implementation of relevant qualification framework. Fail to recruit workers with suitable qualification and registration at reasonable cost or at all will have a material and adverse effect on the operations of the Group.

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

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

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

RISKS RELATING TO THE INDUSTRY

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

The construction 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 construction industry in Hong Kong and the shortage of experienced and skillful labour as a number of skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. 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.

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 there will not be any violation of the Group's safety measures or other related rules and regulations by the employees of the Group or its subcontractors. Any such violation may lead to higher probability

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

RISKS RELATING TO HONG KONG

The general economy conditions in Hong Kong may affect our business and financial positions

The Group’s performance and financial position is heavily dependent on the state of economy in Hong Kong as our revenue attributable to the Hong Kong market accounted for 100% of the Group’s total revenue for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015. In the event that there is a downturn in the economy of Hong Kong, the Group’s results of operations and financial position may be severely affected.

The state of political environment in Hong Kong may affect our business and financial positions

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, the Group is not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since our primary operations are substantially located in Hong Kong, any change of such political arrangements may pose immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial positions.

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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 [REDACTED] 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 products or raw materials, 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.

Investor may experience dilution if the Company issues additional Shares in the future

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

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 offered by any of the Controlling Shareholders for purchase 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.

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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 industry in which the Group’s operation have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. The Company believes 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 Company 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 Selling Shareholder, the Sponsor, the Lead Manager (also in its capacity as the Underwriter), their respective affiliates or advisers 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.

Investors should read this entire document carefully and the Company strongly cautions you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this document, there may be press or other media, which contains certain information referring to the Group and the [REDACTED] that is not set out in this document. The Company wishes to emphasise to potential investors that neither the Company nor any of the Sponsor, the Selling Shareholder, the Lead Manager (also in its capacity as the Underwriter) and the Underwriter, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the [REDACTED] has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by the Company or any of the Professional Parties. Neither the Company nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such

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information is not contained in this document or is inconsistent or conflicts with the information contained in this document, the Company disclaims any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the [REDACTED] Shares. You should rely only on the information contained 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	Address	Nationality
<i>Executive Directors</i>		
Mr. Ng Kin Siu (吳建韶)	Flat A, 20/F., Block 6 Bel-Air on the Peak 68 Bel-Air Avenue Cyberport, Hong Kong	Chinese
Mr. Lai Pak Wei (黎伯偉)	Flat C, 6/F., Block 5 Saddle Ridge Garden 6 Kam Ying Road Ma On Shan New Territories	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chan Kai Nang (陳啟能)	B/1 Block 2, Kent Court 131 Boundary Street Kowloon	Chinese
Mr. Lau Yiu Kit (劉耀傑)	G/F., Mackenny Court 67 MacDonnell Road Central, Hong Kong	British
Mr. Chan Chun Hong (陳駿康)	Flat G, 55/F. Tower 3 Manhattan Hill 1 Po Lun Street Lai Chi Kok Kowloon	Chinese

For further information on the profile and 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

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

Room 1606, 16th Floor, Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

[REDACTED]

Legal advisers to the Company

As to Hong Kong Law

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Solicitors, Hong Kong

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Conyers Dill & Pearman

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Advocate, Supreme Court, Nepal
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Syangja District
Nepal

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

**Legal advisers to the Sponsor and
the [REDACTED]**

As to Hong Kong Law
[REDACTED]

Reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	6th Floor, The Sun's Group Centre 200 Gloucester Road Wan Chai Hong Kong
Company's website	www.fdbhk.com (information of this website does not form part of this document)
Company secretary	Mr. Yu Tsz Ngo (余子敖) <i>Certified Public Accountant</i> Flat B, 42/F. Block 1, Aqua Marine Lai Chi Kok Kowloon
Authorized representatives (for the purpose of the GEM Listing Rules)	Mr. Ng Kin Siu (吳建韶) Flat A, 20/F., Block 6 Bel-Air on the Peak 68 Bel-Air Avenue Cyberport, Hong Kong Mr. Yu Tsz Ngo (余子敖) <i>Certified Public Accountant</i> Flat B, 42/F. Block 1, Aqua Marine Lai Chi Kok Kowloon
Compliance officer	Mr. Ng Kin Siu (吳建韶)
Audit committee	Mr. Chan Kai Nang (陳啟能) (<i>Chairman</i>) Mr. Chan Chun Hong (陳駿康) Mr. Lau Yiu Kit (劉耀傑)
Remuneration committee	Mr. Lau Yiu Kit (劉耀傑) (<i>Chairman</i>) Mr. Chan Chun Hong (陳駿康) Mr. Chan Kai Nang (陳啟能)

CORPORATE INFORMATION

Nomination committee

Mr. Chan Chun Hong (陳駿康) (*Chairman*)

Mr. Chan Kai Nang (陳啟能)

Mr. Lau Yiu Kit (劉耀傑)

Cayman Islands principal share registrar and transfer office

[REDACTED]

Hong Kong branch share registrar and transfer office

[REDACTED]

Principal bankers

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Bank of China (Hong Kong) Limited
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Hong Kong

Compliance adviser

Messis Capital Limited

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

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 Group 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 the Company, the Selling Shareholder, the Sponsor, [REDACTED], 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 (the "C&SD") provides statistics covering various social and economic aspects of Hong Kong. The information presented in this document from C&SD is freely accessible by the public.

The Rating and Valuation Department 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.

Construction Industry Council ("CIC") provides report in relation to the manpower forecast for general construction workers.

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 locations such as site investigation, demolition, and structural alteration 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. Based on the understanding of the Group, public projects mainly 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 Government or public bodies in Hong Kong; whereas private projects mainly include construction of private residential, commercial or industrial buildings. In Hong Kong most of the public or subsidised housing projects are implemented by the Hong Kong Housing Authority and the Hong Kong Housing Society. The construction market for public

INDUSTRY OVERVIEW

projects in Hong Kong is dependent on the number, size and scale of building and construction work advocated or funded by the Government or other public bodies. These in turn, are determined by policies and the budget approved by the Legislative Council. Private projects are in general 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.

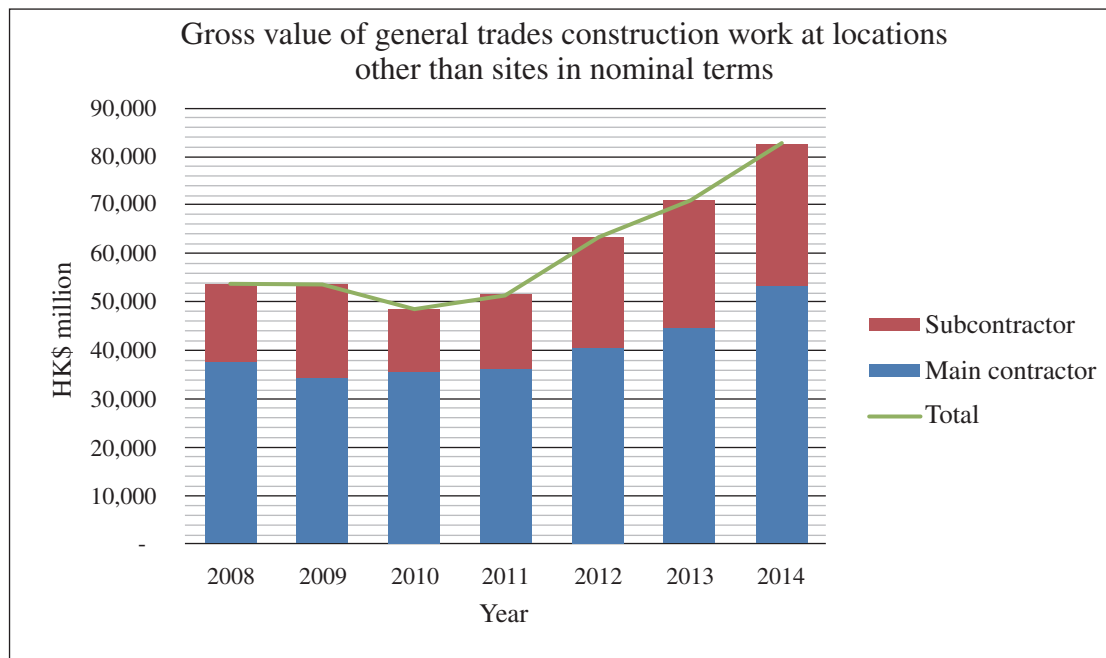
NUMBER OF CONTRACTORS WITH RELEVANT QUALIFICATIONS AND LICENCES IN HONG KONG

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 and 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 (equivalent to US\$1.3 million) in annual gross value of construction work account for as high as 96% of the construction industry. A majority of the small ones act as subcontractors to the large construction companies. 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 July 2015, there were (i) 682 registered general building contractors registered under the Buildings Department to carry out building works or street works other than specialized works and minor works as required by the Buildings Ordinance; (ii) 103 registered specialist contractors (demolition) and 198 registered specialist contractors (site formation) registered under the Buildings Department to carry out the respective specialized works as required by the Buildings Ordinance; and (iii) 196 Authorized Persons (surveyor) registered under the Buildings Department to be appointed as coordinator of building works or street works, lodge supervision plan for such works and carry out investigation on buildings.

INDUSTRY OVERVIEW

OVERVIEW OF GENERAL TRADES IN HONG KONG



Source: Report on the Quarterly Survey of Construction Output (2009–2015), C&SD

Notes:

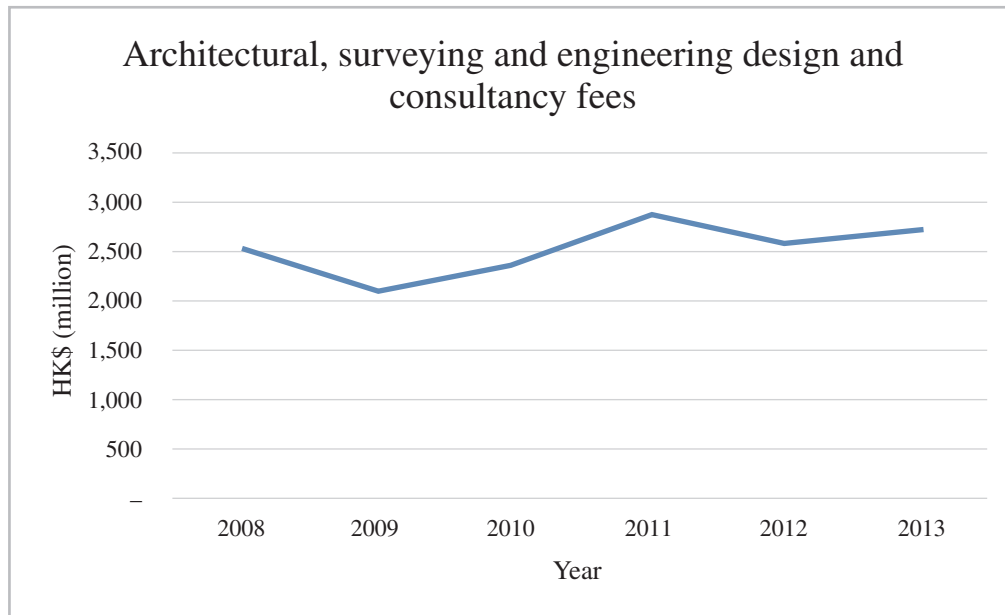
1. General trades include decoration, repair and maintenance, and construction works at minor work locations such as site investigation, demolition, and structural alteration and addition works.
2. A construction company is regarded as a main contractor for a particular construction contract if it secures 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 pursuant to the relevant contract with the client party. A construction company is regarded as a subcontractor if it is engaged by another contractor (either main contractor or subcontractor) to carry out works.
3. Owing to the widespread of 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 contractors 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 contractors 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.

Gross value of general trades construction works at locations other than sites in nominal terms has increased by approximately 53.4% from approximately HK\$54 billion in 2008 to approximately HK\$83 billion in 2014. In contrast to special trades construction works where a majority of gross output value is attributable to subcontractors, gross output value of general trades is mainly generated by main contractors. The portion of gross output value attributable to main contractor ranged from approximately 62.8% to 73.5% of total gross output value during the period. With reference to the revenue generated

INDUSTRY OVERVIEW

by the Group's contracting services as main contractor for the year ended 31 December 2014 amounting to approximately HK\$122 million, the revenue represented approximately 0.2% of the gross output value of general trades attributable to main contractors in 2014.

OVERVIEW OF CONSULTING SERVICES IN HONG KONG



Source: Real estate project statistics (November 2014), C&SD

Note: The data was extracted from the latest available source on the website of C&SD as at the Latest Practicable Date.

According to the latest available data from C&SD, the architectural, surveying and engineering design and consultancy fee has gradually increased from approximately HK\$2,522 million in 2008 to approximately HK\$2,717 million in 2013, representing an increase of approximately 7.73% in five years. With reference to the Monthly Digest published by the Buildings Department in January 2015, the Building Authority has processed in total 17,404 plans submitted to the Building Authority in 2013 for its approval in respect of the building works while the total number of submission in 2014 remained stable at 17,334. These plans were either first submission and major revision or re-submission of demolition plan, general building plan, structural plan, foundation plan, site formation plan and drainage plan, etc.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

There are numerous contractors in Hong Kong that provide services in relation to (i) new building, repair, maintenance, alteration and addition works; (ii) demolition and site formation; and (iii) consulting services including but not limited to submitting and obtaining approval from the relevant Government authorities for plans of building works. Market competition is fierce but the Directors consider that the following entry barriers would hinder new players from joining the industry: (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

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costs, subcontracting charges, material costs which can be affected by economic factors such as macro-economic trend, prospect of the 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 at locations other than sites in nominal terms performed by the main contractors of general trades of approximately HK\$53 billion in 2014 issued by C&SD and the Group's revenue generated by acting as main contractor of approximately HK\$122,390,000 for the year ended 31 December 2014, the Group's revenue represented approximately 0.2% to the gross value of construction works in nominal terms performed by the main contractors of general trades in 2014. Based on the architectural, surveying and engineering design and consultancy fee of approximately HK\$2,717 million in 2013 and the Group's revenue from consulting service of approximately HK\$29.8 million for the year ended 31 December 2013, the Group's revenue represented approximately 1.1% to the fee from the architectural, surveying and engineering design and consultancy market in Hong Kong in 2013. For consulting services, the Group has made 118 submission plans in 2014 which represent approximately 0.7% of the 17,334 submission plans processed by the Building Authority 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 the developments in 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 construction industry. The Directors consider that, with the Group's experienced management team and reputation in the market, 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.

I. Property market

Completion of properties and stock of properties in Hong Kong from 2008 to 2014

According to the statistics published by the Rating and Valuation Department, yearly completion private commercial properties and offices in Hong Kong recorded a significant drop from approximately 390,400 sq.m. in 2008 to approximately 160,700 sq.m. in 2014; whereas private offices represented a major portion, contributing approximately 64.5% of new completions for the year. Completion of private residential properties has increased from 8,254 units in year 2013 to 15,719 units in year 2014, representing a dramatic increase of approximately 90.4%.

Stock of private office premises has increased from 10,392,300 sq.m. in 2008 to 11,060,700 sq.m. in 2014, representing a growth of approximately 6.4%. Stock of private commercial premises has increased from 10,587,800 sq.m. in 2008 to 10,917,200 sq.m. in 2014, representing a growth of approximately 3.1%.

The stock of private residential properties increased from 1,085,922 units in 2008 to 1,136,430 units in 2014, representing a growth of approximately 4.7%.

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Hong Kong population and Long Term Housing Strategy

According to the provisional figure published by the C&SD, Hong Kong population has reached approximately 7.2 million by the end of 2014 as compared with approximately 7.0 million in 2008. With the continuous growth in population, it is expected that demand for residential properties would increase.

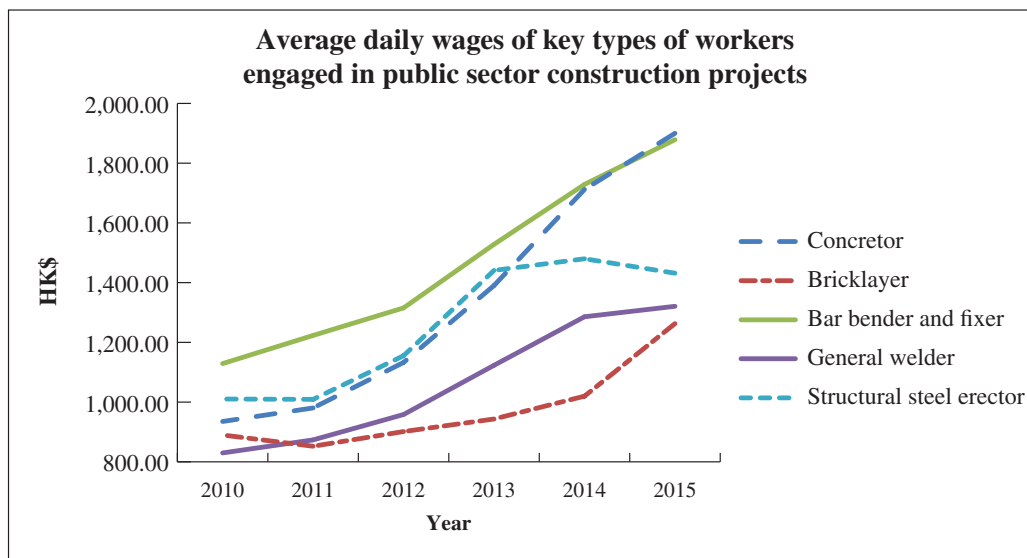
With reference to the Long Term Housing Strategy promulgated by the Government on 16 December 2014, one of the major strategies is to stabilize the residential property market through steady land supply and the Government adopts a total housing supply target of 480,000 units for the ten-year period from 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 construction works would increase accordingly. In this regard, the prospect of the construction industry is positive.

II. Labour

Labour cost trend

The construction work carried out by the Group requires the engagement of various kinds of workers including but not limited to concreter, bricklayer, bar bender and fixer, general welder and structural steel erector. Below is the chart showing the average daily wages movement of such workers engaged in public sector construction projects from January 2010 to June 2015:



Source: *Average Daily Wages of Workers Engaged in Public Sector Construction Projects as Reported by Main Contractors (January 2010–June 2015)*, C&SD

Note: The average daily wages in 2015 were calculated by six months data released by C&SD up to June 2015.

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According to the statistics published by C&SD, bar bender and fixer is the most expensive type of worker among the other types of workers up to 2014 as shown in the graph above. The average daily wages of bar bender and fixer has increased from approximately HK\$1,128.9 in 2010 to approximately HK\$1,728.9 in 2014, representing an increase of approximately 53.1% in four years. The average daily wages further increased to HK\$1,878.5 for the six months period in 2015.

Bricklayer is the cheapest type of worker among the others in 2014. The average daily wages of bricklayer only increased by a modest percentage of approximately 14.6% from HK\$889.9 in 2010 to HK\$1,019.9 in 2014 which represented the smallest percentage increase among the other types of workers during the period. The average daily wages of bricklayer further increased from HK\$1,019.9 in 2014 to HK\$1,262.8 for the six months period in 2015 representing an increase of approximately 23.8%.

The average daily wages of general welder has increased by 54.9% from approximately HK\$829.8 in 2010 to HK\$1,285.8 in 2014. The daily wages has increased by 14.5% in 2014 from HK\$1,123.2 in 2013 which represented the second highest percentage increase among the other types of workers during the same period. The average daily wages increased slightly by approximately 2.7% from HK\$1,285.8 in 2014 to HK\$1,320.7 for the six months period in 2015.

Structural steel erector has a mild percentage increase in average daily wages in 2014 amounting to 2.7%, from HK\$1,440.9 in 2013 to HK\$1,479.9 in 2014. However, the percentage increase in average daily wages of structural steel erector was much greater when comparison is made between the figures in 2010 and 2014. The amount increased from HK\$1,010.4 in 2010 to HK\$1,479.9 in 2014, representing a CAGR of approximately 10.0% for four years. The average daily wages decreased slightly by 3.3% from HK\$1,479.9 in 2014 to HK\$1,431.7 for the six months period in 2015.

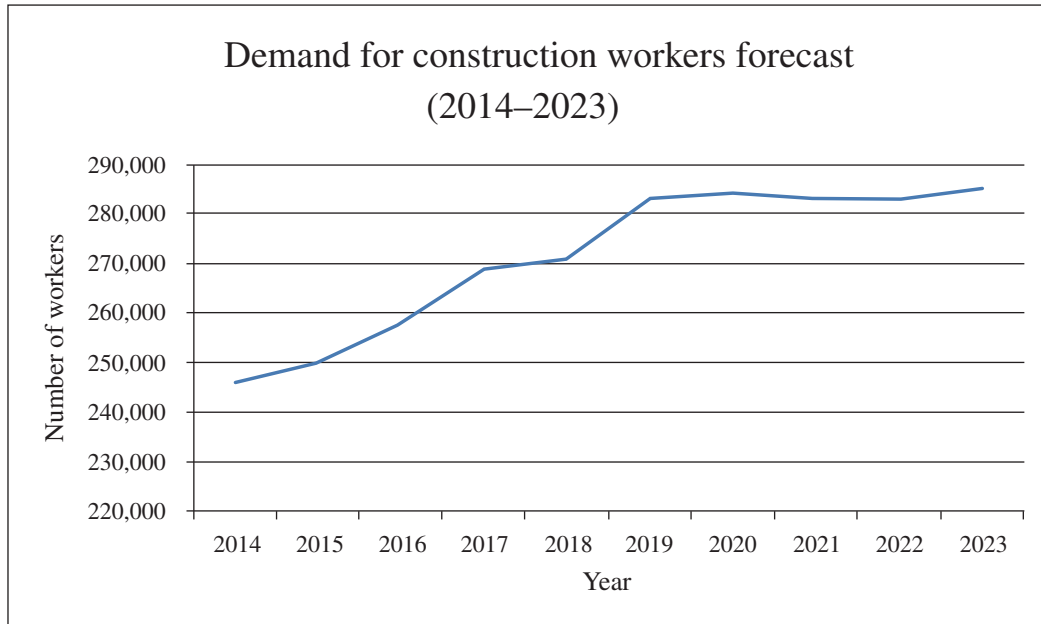
Average daily wages of concretor has increased dramatically from approximately HK\$935.2 in 2010 to approximately HK\$1,712.0 in 2014, representing an increase of approximately 83.1% in four years. The percentage increase in average daily wages of concretor during the period outperforms all the abovementioned types of workers. The average daily wages of concretor further increased to HK\$1,900.0 for the six months period in 2015, overtaking that of bar bender and fixer and became the most expensive type of worker among the other types of worker.

In accordance with the Report of CIC Manpower Forecasting Model 2014 published by the 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 10.5% in seven years. CIC expected that certain type of workers would be in consistent shortage.

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

INDUSTRY OVERVIEW

Demand of labour in future



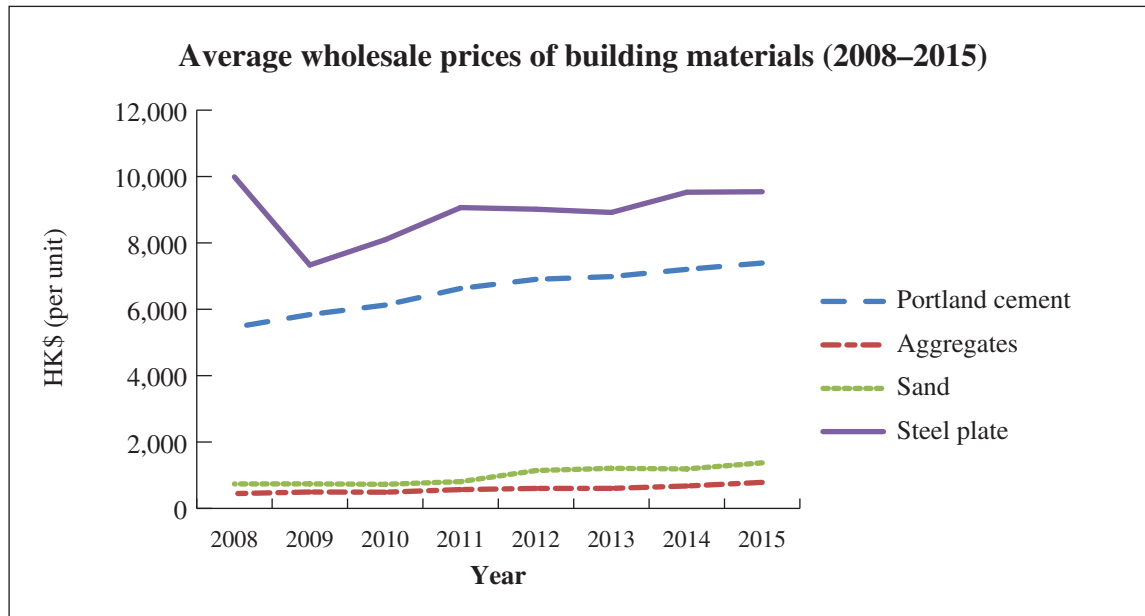
Source: Report of CIC Manpower Forecasting Model 2014 (Workers), CIC

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 construction industry during the period from 2008 to 2015:



Source: *Average Wholesale Prices of Selected Building Materials (2008–2015)*, C&SD

Notes:

1. Unit for steel plate is tonne while units for Portland cement, aggregates and sand are 10 tonnes for the ease of recognition in graph.
2. Data of aggregates in December, November, October, September, August, July, February 2008 and May 2010 are not available to public.
3. The average wholesale prices of building materials in 2015 were calculated by five months data released by C&SD up to May 2015.

According to the data published by C&SD, average wholesale price of steel plate has decreased dramatically from approximately HK\$9,989.3 per tonne in 2008 to approximately HK\$7,334.4 per tonne in 2009, representing a decrease of approximately 26.6% within a year. Afterwards, the average wholesale price bounced back and increased gradually, reaching HK\$9,541.6 per tonne in 2015, accounted for an increase of approximately 30.1% as compared with that in 2009.

Average wholesale price of Portland cement also increased gradually from HK\$5,458.3 per 10 tonnes in 2008 to HK\$7,204.2 per 10 tonnes in 2014, representing a CAGR of 4.7% for six years. The average wholesale price has increased mildly by approximately 3.1% from HK\$6,985.0 per 10 tonnes in 2013 to HK\$7,204.2 per 10 tonnes in 2014. The average wholesale price further increased slightly by 2.6% to HK\$7,394.0 per 10 tonnes for the five months period in 2015.

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Sand and aggregates are relatively cheap materials used in the construction industry. However, the percentage increases in the wholesale price of both materials outperform the abovementioned materials. Average wholesale price of sand has increased from HK\$736.7 per 10 tonnes in 2008 to HK\$1,189.2 per 10 tonnes in 2014, representing an increase of approximately 61.4% in six years while that of aggregates has increased by approximately 51.3% from HK\$446.0 per 10 tonnes in 2008 to HK\$675.0 per 10 tonnes in 2014. Both the average wholesale prices of sand and aggregates further increased by about 16%, to HK\$1,374.0 per 10 tonnes and HK\$784.0 per 10 tonnes respectively for the five months period in 2015.

IV. 2015 Policy Address about construction industry

The Government has been working with the 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 provided training for workers to bring them to semi-skilled level. In this regard, the Government will provide HK\$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.

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

INDUSTRY OVERVIEW

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.

REGULATORY OVERVIEW

This section sets forth a summary of the major laws and regulations applicable to the Group’s business in Hong Kong.

A. CONSTRUCTION LABOUR, HEALTH AND SAFETY

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor of an industrial undertaking shall take care of the safety and health at work of all persons employed by it at the industrial undertaking by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- as regards any workplace under the employer’s control;
- maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health;
- providing and maintaining safe access to and egress from the workplaces that are, so far as reasonably practicable, safe and without any such risks; and
- providing and maintaining a safe and healthy work environment.

A proprietor of an industrial undertaking who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor of an industrial undertaking who contravenes these duties wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six 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 maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities. A contractor who fails to comply with any of these rules commits an offence and different levels of fines will be imposed depending on the offence the contractor is found guilty of. A contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

REGULATORY OVERVIEW

The Commissioner of Labour (with the meaning ascribed thereto under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)) may also issue prohibition notice against contravention of this ordinance. Failure to comply with such notice constitutes an offence punishable by a fine of HK\$200,000 and imprisonment for six months.

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 both industrial and non-industrial workplaces.

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

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

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 also issue improvement notice against contravention of this 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 constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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 liability to pay compensation even if the employee might have committed acts of faults or

REGULATORY OVERVIEW

negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies as a result of an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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 of HK\$100,000 and imprisonment for two years.

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

Employment Ordinance

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) provides that if any wages 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, such wages shall be payable by the principal contractor and superior subcontractor (where applicable) jointly and severally. A principal contractor's and superior subcontractor's (where applicable) liability shall be limited (a) to 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 work; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) 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.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware.

REGULATORY OVERVIEW

A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors 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. The principal contractor or superior subcontractor may either (1) 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 (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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 visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Immigration Ordinance

Pursuant to section 38A of the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), a construction site controller (i.e. 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 site or ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

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. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this ordinance is void.

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B. 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) Regulations (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 construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling between 7 a.m. and 7 p.m. on any day, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in any place are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Noise Control Authority. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of HK\$100,000; (b) on second or 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.

REGULATORY OVERVIEW

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. 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.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulations (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulations (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at prescribed facilities. A main contractor who undertakes construction work with a value of HK\$1 million or above will be required to, within 21 days after being awarded the contract, make an application to the Director of Environmental Protection to establish a billing account to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulations, anyone who produces chemical waste or causes it to be produced has to register 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 chemical waste disposal site 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 Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and HK\$10,000 for each day during which the offence continues.

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,

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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 (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (c) on a first summary conviction to a fine at level 6 (being HK\$100,000 as at the Latest Practicable Date) and to imprisonment for six months; (d) 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.

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

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

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

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

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

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

C. LICENSING REGIME

Authorized Person

Under the Section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works, including alteration, addition and every kind of building operation, without having obtained approval and consent from the Building Authority. Any person who intends to carry out alteration or addition building works in existing premises is required to appoint an Authorized Person to prepare and submit plans for the approval of Building Authority under the Buildings Ordinance. According to Section 2(1) of the Buildings Ordinance, an Authorized Person means a person whose name is on the Authorized Persons' register kept under section 3(1) of the Buildings Ordinance as:

- (a) as an architect;
- (b) as an engineer; or

REGULATORY OVERVIEW

- (c) as a surveyor.

A person who intends to carry out alteration and addition building works is also required to appoint a registered contractor to carry out the building works. The Building Authority may require that all such building works carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

Under the Section 4(1) of the Buildings Ordinance, every person for whom building works or street works are to be carried out shall appoint:

- (a) an Authorized Person as the co-ordinator of such building works or street works;
- (b) a registered structural engineer for the structural elements of such building works or street works if so required under the Buildings Ordinance; and
- (c) a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under the Buildings Ordinance.

Under section 3 of the Buildings Ordinance, the Building Authority shall keep a register of the Authorized Persons for public inspection. The major requirements for registration of an Authorized Person are:

- (a) Under section 3(6) of the Buildings Ordinance, an applicant for the inclusion in the Authorized Persons' register shall submit his application in the specified form (Form BA 1) together with the prescribed application fee to the respective authorities;
- (b) Under section 3(7) of the Buildings Ordinance, a person must not be included in the Authorized Persons' register unless:
 - (i) he has the qualifications to register as an Authorized Person;
 - and
 - (ii) he is recommended by the Authorized Persons Registration Committees ("APRC") established by the Building Authority under section 3(5) of the Buildings Ordinance for inclusion.

The APRC will examine the qualification and experience of the applicants and conduct professional interviews with the applicants. An applicant must satisfy the APRC on his/her suitability for inclusion in the Authorized Persons' register.

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In accordance with section 3(9B) of the Buildings Ordinance, an Authorized Person who wishes to retain his name on the Authorized Persons' register may apply to the Building Authority for the further retention of his name in the register for a period of 5 years. According to section 3(9C) of the Buildings Ordinance, an application for the retention of an Authorized Person's name in the register shall be:

- (a) in the specified form (Form BA 1A);
- (b) made so to be received by the Building Authority not earlier than 4 months and not later than 28 days prior to the date of the expiry of the relevant registration;
- (c) accompanied by the appropriate prescribed fee;
- (d) accompanied by a copy of a valid certificate of registration or a copy of renewal of registration issued under the relevant authorities.

Registered contractor

Under the current contractor registration system in Hong Kong, a contractor must register with the Buildings Department either as a general building contractor or as a specialist contractor or as a minor works contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors.

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

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plant and resources; and
- (d) the ability of the person appointed 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.

Under section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Buildings Department for renewal of registration not earlier than four months and not later than 28 days prior to the date of expiry of the registration. Application for renewal of registration received by the Buildings Department outside the specified time limit under section 8C(2)(c) will not be accepted.

REGULATORY OVERVIEW

The application should comprise:

- (a) a duly completed specified form;
- (b) declarations in Buildings Department standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the authorised signatory(ies), the technical director(s) and the other officer(s) in certain aspects;
- (c) a job reference on a minimum of one relevant building project;
- (d) certain documents relating to business registration;
- (e) the prescribed fee in accordance with Building (Administration) Regulations (Chapter 123A of the Laws of Hong Kong).

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

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as an 'authorised signatory';
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as a 'technical director' who is authorised by the board to:
 - (i) have access to plant and resources;
 - (ii) provide technical and financial support for the execution of building works and street works;
 - (iii) 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
- (c) for a corporation which appoints a director who does not possess the required qualification or experience as technical director to manage the carrying out of building works and street works — an 'Other Officer' authorised by the board of directors to assist the technical director.

Registered general building contractor

For registration as a registered general building contractor, 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.

REGULATORY OVERVIEW

The following table summarises the minimum requirements for registered general building contractor imposed by the Building Authority:

Key personnel	Minimum requirements on the key personnel
Technical director	<p>Must have either:</p> <ol style="list-style-type: none">1. at least eight years of experience in managing a building contractor company or equivalent; or2. a relevant university degree or equivalent qualification and three years' local experience in building industry in Hong Kong.
Authorised signatory	<p>Must have:</p> <ol style="list-style-type: none">1. at least five years' experience in building industry;2. worked for not less than 18 months in local building project(s); and3. at least a higher certificate, diploma or equivalent in the relevant field.

Registered specialist contractor

For registration as a registered specialist contractor, the applicant must satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties, e.g. competent person (logging) for ground investigation field works.

The Building Authority imposes specific requirements on the qualifications and experience of the key personnel of a registered specialist contractor in the foundation works, site formation works and demolition works categories.

REGULATORY OVERVIEW

The following table summarises the minimum requirements for registered specialist contractor in the site formation works category imposed by the Building Authority:

Key personnel	Minimum requirements on the key personnel
Technical director	Must have either: <ol style="list-style-type: none">1. at least eight years of experience in managing a building contractor company or equivalent; or2. a relevant university degree or equivalent qualification and five years' experience in geotechnical works in Hong Kong, of which three years was in site formation in Hong Kong.
Authorised signatory	Must have: <ol style="list-style-type: none">1. a minimum of five years' experience in geotechnical works, of which three years' experience was in local site formation;2. worked on at least seven formation projects in Hong Kong for an aggregate period of not less than 18 months; and3. at least a higher certificate, diploma or equivalent in the relevant field.

The following table summarises the minimum requirements for registered specialist contractor in the foundation works category imposed by the Building Authority:

Key personnel	Minimum requirements on the key personnel
Technical director	Must have either: <ol style="list-style-type: none">1. at least eight years of experience in managing a building contractor company or equivalent; or2. a relevant university degree or equivalent qualification and five years' experience in building industry, of which two years was in foundation.
Authorised signatory	Must have: <ol style="list-style-type: none">1. a minimum of five years' experience in foundation;2. worked on at least seven site foundation projects in Hong Kong for an aggregate period of not less than 18 months; and3. at least a higher certificate, diploma or equivalent in the relevant field.

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The following table summarises the minimum requirements for registered specialist contractor in the demolition works category imposed by the Building Authority:

Key personnel	Minimum requirements on the key personnel
Technical director	<p>Must have either:</p> <ol style="list-style-type: none">1. at least eight years of experience in managing a building contractor company or equivalent; or2. a relevant university degree or equivalent qualification and five years' local experience in building industry, of which two years was in demolition.
Authorised signatory	<p>Must have:</p> <ol style="list-style-type: none">1. at least five years' experience in demolition;2. worked on at least seven site demolition projects in Hong Kong for not less than 18 months;3. at least a higher certificate, diploma or equivalent in the relevant field; and4. has completed Demolition of Building Course for Supervisors/ Foremen organised by Construction Industry Council Training Academy or Module Certificate in Building Demolition Course organised by the Hong Kong Institute of Vocational Education.

Electrical contractor

All contractors engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department. To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or:

1. if the applicant is an individual, he/she must be a registered electrical worker; or
2. if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

REGULATORY OVERVIEW

Under Regulation 13 of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), a registered contractor should apply to the Director of Electrical and Mechanical Services for renewal of registration not earlier than four months and not later than one month prior to the date of expiry of the registration. The application should comprise:

- (a) a duly completed specified form;
- (b) a copy of business registration certificate of the contractor;
- (c) a copy of the certificate(s) of registration of the registered electrical worker(s) of the contractor;
- (d) documentary proof(s) of employment of registered electrical worker(s) including a letter confirming the employment of the registered electrical worker(s) of the contractor; and
- (e) the prescribed fee in accordance with the Electricity (Registration) Regulations.

Sanctions

Under sections 7, 13 and 40 of the Buildings Ordinance, registered general building contractor, registered specialist contractor, Authorized Person, registered structural engineer and registered geotechnical engineer will be subject to prosecution or disciplinary action where an offence is committed or when matters justifying the taking of disciplinary action arise.

Disciplinary proceedings

Pursuant to sections 7 and 13 of the Buildings Ordinance, the matters justifying the taking of disciplinary action include, amongst others, being convicted by any court of an offence related to carrying out his professional duties, being negligent or having misconducted himself in a professional way, having permitted a material deviation from a supervision plan for which he is responsible without reasonable cause and having drawn up a supervision plan that does not comply with the material requirements of the Buildings Ordinance, etc.

The disciplinary board may, amongst others, order that the name of such person or the name of the director, officer or person (in the case of the registered general building contractor or registered specialist contractor) be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; or order such person or the director, officer or person (in the case of the registered general building contractor or registered specialist contractor) be fined.

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Prosecution

In addition to disciplinary proceedings, registered general building contractor, registered specialist contractor, Authorized Person, registered structural engineer and registered geotechnical engineer, pursuant to section 40 of the Buildings Ordinance, will be subject to prosecution where an offence is committed. Set out below are some of the offences under section 40 of the Buildings Ordinance:

The absence of the authorised signatory or technical director of a registered contractor may cause the registered contractor unable to act. Under regulation 22(2) of the Building (Administration) Regulations (Chapter 123A of Laws of Hong Kong), if the registered contractor becomes unable to act, it should immediately cease the building works or street works under its purview until another registered contractor is appointed, otherwise such building works or street works may be regarded as execution without the approval of the Building Authority.

Pursuant to section 40(1AA) of the Buildings Ordinance, any person who knowingly commence or carry out any building works (other than minor works) or street works without the approval of the Building Authority under the Buildings Ordinance shall be guilty of an offence and shall be liable on conviction (a) to a fine of HK\$400,000 and to imprisonment for two years; and to a fine of HK\$20,000 each day during which it is proved to the satisfaction of the court that the offence has continued.

Pursuant to section 40(2A) of the Buildings Ordinance, registered general building contractor, registered specialist contractor, Authorized Person, registered structural engineer and registered geotechnical engineer directly concerned with any prescribed inspection or building works or street works shall not:

- (a) permit or authorise to be incorporated in or used in the carrying out of any such inspection or works any materials which are defective or do not comply with the provisions of the Buildings Ordinance; or any materials which have not been mixed, prepared, applied, used, erected, constructed, placed or fixed in the manner required for such materials under the Buildings Ordinance;
- (b) diverge or deviate in any material way from any work shown in a plan approved by the Building Authority under the Buildings Ordinance;
- (c) diverge or deviate in any material way from any works shown in a plan relating to minor works that is required to be submitted to the Building Authority under the simplified requirements; or
- (d) knowingly misrepresent a material fact in any plan, certificate, form, report, notice or other document given to the Building Authority under the Buildings Ordinance.

Failure to comply with any of the above provisions constitutes an offence and they are liable on conviction (a) in the case of a prescribed inspection (other than a prescribed inspection in respect of a window in a building) or building works (other than minor works) or street works, to a

REGULATORY OVERVIEW

fine of HK\$1,000,000 and to imprisonment for three years; or (b) in the case of a prescribed inspection in respect of a window in a building or minor works, to a fine of HK\$500,000 and to imprisonment for 18 months.

In addition, any registered general building contractor or registered specialist contractor who contravenes section 9(5)(b) or (6)(b) of the Buildings Ordinance or any Authorized Person, registered structural engineer and registered geotechnical engineer who contravenes section 4(3)(b) of the Buildings Ordinance, shall be guilty of an offence and shall be liable on conviction to a fine of HK\$250,000. However, it shall be a defence in any prosecution for such a contravention for the person charged to prove to the satisfaction of the court that he did not know, nor could reasonably have discovered, the contravention referred to in the charge.

Under section 40(2G) of the Buildings Ordinance, where a registered specialist contractor certifies or carries out minor works belonging to a class, type or item for which he is not registered, he shall be guilty of an offence and is liable on conviction to a fine at level 6 and to imprisonment for six months; and to a fine of HK\$5,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Any person who knowingly misrepresents a material fact in any report submitted to the Building Authority under section 27C(2)(c) of the Buildings Ordinance shall be guilty of an offence and shall be liable on conviction to a fine of HK\$250,000 and to imprisonment for three years.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

The Company was incorporated in the Cayman Islands with limited liability on 19 March 2015. The Company completed the Reorganisation on 31 March 2015 in preparation for the [REDACTED] pursuant to which the Company became the holding company of the Group. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

The Group is principally engaged in (i) contracting service for alteration and addition works, maintenance, specialist works and new development; and (ii) consulting service for alteration and addition, new development, licensing, Building Services, and architectural design for buildings in Hong Kong. The Group operates its business through the Group’s operating subsidiaries, namely Win Lee, FDBL, Sky Global and Harvest Building. Before the Reorganisation, all of these operating subsidiaries, together with the Company’s other subsidiaries, namely Marvo Architecture, SCCL, Sky Global, Win Lee (Project Team B), were indirectly wholly-owned by Mr. Ng. For further background and relevant industry experience of Mr. Ng, please refer to the section headed “Directors and senior management” in this document.

Set out below is a summary of the key milestones of the development of the Group’s business:

Year	Milestone
2008	Mr. Ng acquired (i) Win Lee which owned the certificate of registration of General Building Contractor and Specialist Contractor — Demolition Work; and (ii) FDBL, and began the contracting and consulting services.
2010	Win Lee obtained ISO 9001:2008 certification for quality management system in respect of its contracting service. FDBL obtained ISO 9001:2008 certification for quality management system in respect of its consulting service.
2011	FDBL entered into a term contract to provide Authorized Person service, including feasibility studies, to the shopping centres for a property management company.
2012	FDBL obtained the certificate of registration of registered electrical contractor.
2013	FDBL acted as a contractor for a term contract of a transportation company in Hong Kong to undertake the provision of Authorized Person service and other consulting service for alteration and addition works for investment properties.
2014	FDBL obtained the certificate of registration of Registered general building contractor. Win Lee obtained the certificate of registration of Registered specialist contractor Site Formation Work. Win Lee is included in the Housing Society’s approved contractors list under building maintenance and improve works.
2015	The Company was incorporated in the Cayman Islands on 19 March 2015 as part of the Reorganisation for the purpose of the [REDACTED].

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

The Company was incorporated in the Cayman Islands with limited liability on 19 March 2015. The Group completed the Reorganisation on 31 March 2015, pursuant to which the Company became the holding company of the Group. As at the Latest Practicable Date, the Group comprised the following major subsidiaries and their respective corporate history are set out below.

The Company

The Company was incorporated in the Cayman Islands on 19 March 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares. One nil-paid Share was allotted and issued to the subscriber which was later transferred to Mr. Ng on the same day, credited as fully paid. After the aforesaid transfer, the issued share capital of the Company was wholly-owned by Mr. Ng.

On 31 March 2015, as part of Reorganisation, the Company entered into a share swap agreement with Mr. Ng and Masterveyor, a company incorporated in the BVI on 24 February 2015 with limited liability and it is the holding vehicle of Mr. Ng and wholly owned by Mr. Ng, pursuant to which the Company acquired one share in FDB & Associates which represents its entire share capital from Mr. Ng and in consideration, one Share was allotted and issued to Masterveyor with the instruction of Mr. Ng. The transaction was completed on 31 March 2015 and as a result of this Reorganisation step, FDB & Associates became the Company's subsidiary. Furthermore, the Company became the holding company of the Group, holding through the intermediate holding company, FDB & Associates which holds subsidiaries, namely, FDBL, Marvo Architecture, SCCL, Sky Global, Win Lee, Win Lee (Project Team B) and Harvest Building.

On 16 September 2015, the Company resolved to increase its authorised share capital from HK\$380,000 to HK\$40,000,000 by the creation of an additional of 3,962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects. The Company further resolved to issue and allot 99,998 Shares of HK\$0.01 each to Masterveyor on 16 September 2015 at a subscription price of HK\$0.01 per Share.

FDB & Associates

In anticipation of the [REDACTED] and the Reorganisation, FDB & Associates, the intermediate holding company of the Group, was incorporated on 24 February 2015 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. At the date of incorporation, one share of US\$1.00 was allotted and issued to Mr. Ng at a subscription price of US\$1.00. On 31 March 2015, pursuant to the share swap agreement, one fully paid share in FDB & Associates was transferred to the Company.

FDBL

On 7 January 2008, Mr. Ng, by his personal funds generated from his prior business engagement, acquired one share representing the entire issued share capital of FDBL at a consideration of HK\$1.00 from an Independent Third Party after arm's length negotiation between the parties with reference to the then financial position of FDBL.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

FDBL is principally engaged in contracting business and provision of building consultancy services.

On 27 February 2014, Mr. Ng transferred the one share in FDBL to China PM (Holdings), a company incorporated in Hong Kong with limited liability which was the holding vehicle of Mr. Ng and wholly owned by Mr. Ng at the time of the transfer, at nominal consideration of HK\$1.00.

In anticipation of the [REDACTED] and Reorganisation, on 31 March 2015, FDB & Associates acquired one share in FDBL, representing the entire issued share capital of FDBL from China PM (Holdings) at a nominal consideration of HK\$1.00 as both companies were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid. The aforesaid acquisition by FDB & Associates was completed on 31 March 2015 and as a result, FDBL became a direct wholly-owned subsidiary of FDB & Associates.

Marvo Architecture

On 27 November 2013, Marvo Architecture was incorporated in Hong Kong with limited liability. It is principally engaged in architectural design. At the time of its incorporation, Marvo Architecture had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. One subscriber share was allotted and issued to China PM (Holdings) at a subscription price of HK\$1.00. The subscriber share was fully paid-up.

In anticipation of the [REDACTED] and Reorganisation, on 31 March 2015, FDB & Associates acquired one share in Marvo Architecture, representing the entire issued share capital of Marvo Architecture from China PM (Holdings) at a nominal consideration of HK\$1.00 as both companies were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid. The aforesaid acquisition by FDB & Associates was completed on 31 March 2015 and as a result, Marvo Architecture became a direct wholly-owned subsidiary of FDB & Associates.

SCCL

On 16 April 2014, SCCL was incorporated in Hong Kong with limited liability. It is principally engaged in electrical and mechanical engineering services. At the time of its incorporation, SCCL had a share capital of HK\$1.00 divided into one ordinary share of HK\$1.00 each. One subscriber share was allotted and issued to China PM (Holdings) at a subscription price of HK\$1.00. The subscriber share was fully paid-up.

In anticipation of the [REDACTED] and Reorganisation, on 31 March 2015, FDB & Associates acquired one share in SCCL, representing the entire issued share capital of SCCL from China PM (Holdings) at a nominal consideration of HK\$1.00 as both companies were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid. The aforesaid acquisition by FDB & Associates was completed on 31 March 2015 and as a result, SCCL became a direct wholly-owned subsidiary of FDB & Associates.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Sky Global

On 25 April 2014, Sky Global was incorporated in Hong Kong with limited liability. It is principally engaged in construction contracting services. At the time of its incorporation, Sky Global had a share capital of HK\$1.00 divided into one ordinary shares of HK\$1.00 each. One subscriber share was allotted and issued to China PM (Holdings) at a subscription price of HK\$1.00. The subscriber share was fully paid-up.

In anticipation of the [REDACTED] and Reorganisation, on 31 March 2015, FDB & Associates acquired one share in Sky Global, representing the entire issued share capital of Sky Global from China PM (Holdings) at nominal consideration of HK\$1.00 as both companies were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid. The aforesaid acquisition by FDB & Associates was completed on 31 March 2015 and as a result, Sky Global became a direct wholly-owned subsidiary of FDB & Associates.

Win Lee

On 11 January 2008, Mr. Ng, by his personal funds generated from his prior business engagement, acquired 10,000 shares, representing the entire issued share capital of Win Lee at a consideration of HK\$10,000 from an Independent Third Party after arm's length negotiation between the parties with reference to the then financial position of Win Lee.

Win Lee is principally engaged in the provision of contracting service.

On 21 November 2011, further 990,000 fully paid shares with par value of HK\$1.00 per share in Win Lee were allotted and issued at par to Mr. Ng.

On 25 March 2014, Mr. Ng transferred the 1,000,000 shares in Win Lee to China PM (Holdings) at nominal consideration of HK\$1.00.

In anticipation of the [REDACTED] and Reorganisation, on 31 March 2015, FDB & Associates acquired 1,000,000 shares in Win Lee, representing the entire issued share capital of Win Lee from China PM (Holdings) at a nominal consideration of HK\$1.00 as both companies were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid. The aforesaid acquisition by FDB & Associates was completed on 31 March 2015 and as a result, Win Lee became a direct wholly-owned subsidiary of FDB & Associates.

Win Lee (Project Team B)

On 14 April 2014, Win Lee (Project Team B) was incorporated in Hong Kong with limited liability. It is principally engaged in construction contracting services. At the time of its incorporation, Win Lee (Project Team B) had a share capital of HK\$1.00 divided into one ordinary share of HK\$1.00 each. One subscriber share was allotted and issued to China PM (Holdings) at a subscription price of HK\$1.00. The subscriber share was fully paid-up.

In anticipation of the [REDACTED] and Reorganisation, on 31 March 2015, FDB & Associates acquired one share in Win Lee (Project Team B), representing the entire issued share capital of Win Lee (Project Team B) from China PM (Holdings) at a nominal consideration of HK\$1.00 as both companies

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid. The aforesaid acquisition by FDB & Associates was completed on 31 March 2015 and as a result, Win Lee (Project Team B) became a direct wholly-owned subsidiary of FDB & Associates.

Harvest Building

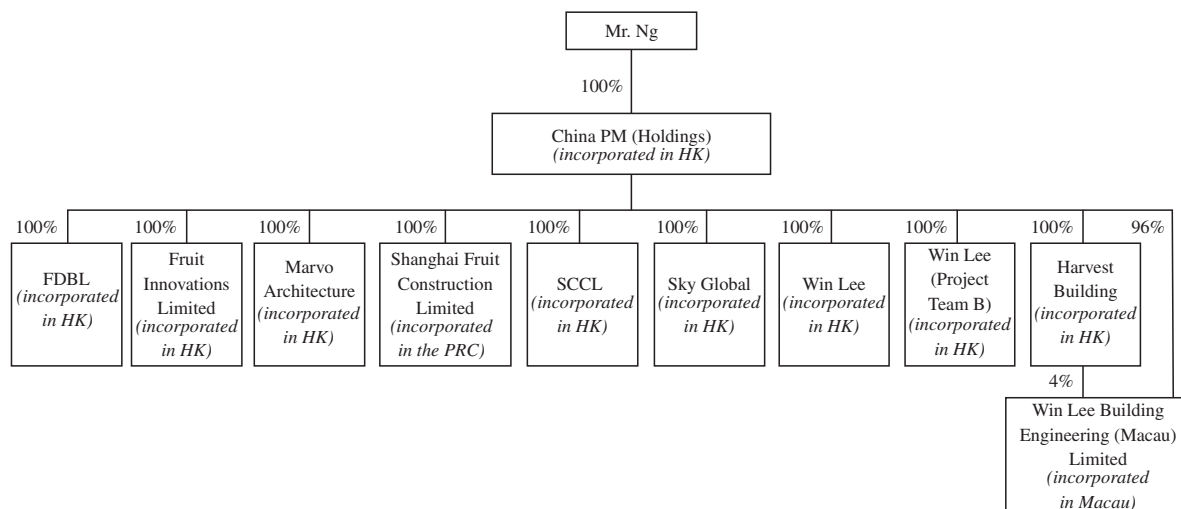
On 11 July 2011, Harvest Building was incorporated in Hong Kong with limited liability. It is principally engaged in the provision of building consultancy services. At the time of its incorporation, Harvest Building had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. One subscriber share was allotted and issued to Mr. Ng at a subscription price of HK\$1.00. The subscriber share was fully paid-up.

On 20 February 2014, Mr. Ng transferred the one share in Harvest Building to China PM (Holdings), a company incorporated in Hong Kong with limited liability which was the holding vehicle of Mr. Ng and wholly owned by Mr. Ng at the time of the transfer, at a nominal consideration of HK\$1.00.

In anticipation of the [REDACTED] and Reorganisation, on 31 March 2015, FDB & Associates acquired one share in Harvest Building, representing the entire issued share capital of Harvest Building from China PM (Holdings) at nominal consideration of HK\$1.00 as both companies were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid. The aforesaid acquisition by FDB & Associates was completed on 31 March 2015 and as a result, Harvest Building became a direct wholly-owned subsidiary of FDB & Associates.

REORGANISATION

The following chart illustrates the corporate structure of the Group immediately prior to the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In preparation for the [REDACTED], the Group underwent the Reorganisation, the major steps of which include:

- (a) Masterveyor was incorporated on 24 February 2015 in the BVI with 50,000 authorised shares of US\$1.00 each. One fully paid ordinary share representing the only issued share of Masterveyor was allotted and issued to Mr. Ng on 24 February 2015.
- (b) FDB & Associates was incorporated on 24 February 2015 in the BVI with 50,000 authorised shares of US\$1.00 each. One fully paid ordinary share representing the only issued share of FDB & Associates was allotted and issued to Mr. Ng on 24 February 2015.
- (c) The Company was incorporated on 19 March 2015 in Cayman Islands with an authorised share capital of HK\$380,000 divided in to 38,000,000 shares. One nil-paid ordinary Share representing the only issued share of the Company was allotted and issued to the subscriber and was transferred to Mr. Ng on 19 March 2015, credited as fully paid.
- (d) On 9 March 2015, Harvest Building transferred its one share in Win Lee Building Engineering (Macau) Limited, a company incorporated in Macau, representing 4% of the entire issued capital to China PM (Holdings) at a consideration of MOP1,000. The consideration was arrived at after arm's length negotiations between the parties, taking into account the then net asset value of Win Lee Building Engineering (Macau) Limited.
- (e) On 31 March 2015, Mr. Ng and Masterveyor entered into a first share swap agreement pursuant to which Mr. Ng transferred one Share, which represented the entire issued share capital of the Company, to Masterveyor and in consideration, one share in the share capital of Masterveyor was allotted and issued to Mr. Ng, credited as fully paid.
- (f) On 31 March 2015, FDB & Associates entered into a sale and purchase agreement with China PM (Holdings), pursuant to which FDB & Associates acquired the entire issued share capital of the operating subsidiaries, namely, FDBL, Marvo Architecture, SCCL, Sky Global, Win Lee, Win Lee (Project Team B) and Harvest Building from China PM (Holdings) at nominal consideration of HK\$1.00 for each of the operating subsidiaries. In consideration of the sole ultimate beneficial owner of FDB & Associates and China PM (Holdings) was Mr. Ng, the Directors consider that the nominal consideration is fair and reasonable so far as the Company and its shareholders are concerned.
- (g) On 31 March 2015, Mr. Ng, Masterveyor and the Company entered into a second share swap agreement pursuant to which Mr. Ng transferred one share in FDB & Associates, which represents the entire issued share capital of FDB & Associates, to the Company and in consideration, one Share was allotted and issued to Masterveyor with the instruction of Mr. Ng, credited as fully paid.
- (h) On 24 April 2015, Mr. Ng entered into a sale and purchase agreement with China PM (Holdings), pursuant to which Mr. Ng acquired the entire issued share capital of Fruit Innovations Limited from China PM (Holdings), a company incorporated in Hong Kong with limited liability wholly owned by Mr. Ng, at a nominal consideration of HK\$1.00 as both companies were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (i) On 7 May 2015, in order to focus on the key business in Hong Kong, Mr. Ng entered into a sale and purchase agreement with Mr. Lee Hung Sang (the "**Purchaser**") who is a former employee of the Group, pursuant to which Mr. Lee Hung Sang acquired the entire issued share capital of China PM (Holdings), together with the operating subsidiaries, namely, Shanghai Fruit Construction Limited and Win Lee Building Engineering (Macau) Limited, from Mr. Ng at a consideration of HK\$1,000 after arm's length negotiation between the parties with reference to the then financial position of China PM (Holdings). Save as the former employment relationship of Mr. Lee Hung Sang, Mr. Lee Hung Sang is independent of and not connected with any of the connected persons of the Company and any of its subsidiaries or any of their respective associates.

Shanghai Fruit Construction Limited was loss making for the year ended 31 December 2014, while Win Lee Building Engineering (Macau) Limited was loss making for the two years ended 31 December 2013 and 2014; and China PM (Holdings) and Fruit Innovations Limited were loss making since the date of incorporation. Therefore, the Directors consider that maintaining the operation of these companies would require substantial resources which may not be in the best interest of the Group. Considering the above factors, it was decided that Shanghai Fruit Construction Limited and Win Lee Building Engineering (Macau) Limited were to be excluded from the Group, and the Group shall continue its business focus on the Hong Kong market. China PM (Holdings), as the investment holding company of Shanghai Fruit Construction Limited and Win Lee Building Engineering (Macau) Limited, was also excluded from the Group to facilitate the exclusion of such companies.

Fruit Innovations Limited owns a short-term patent granted by the Hong Kong Patents Registry in respect of a system and method for providing navigation information for visually impaired user. The patented system is unrelated to and has no utilisation in the Group's contracting and consulting business. It is decided that Fruit Innovations Limited is excluded from the Group to save any costs in relation to the maintenance of the patent which has no contribution to the Group's contracting and consulting business.

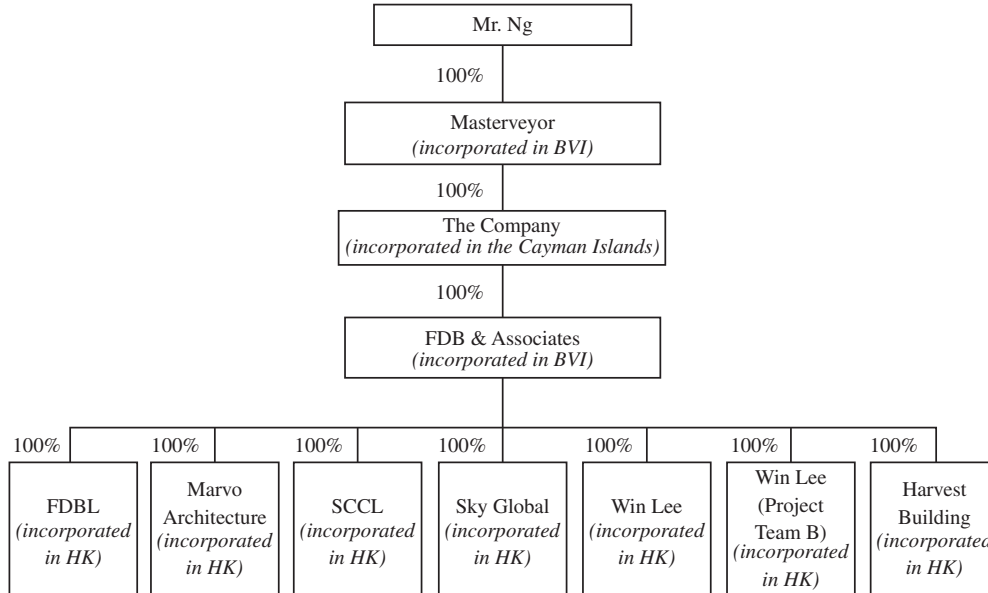
The Directors confirm that, during the Track Record Period and (i) up to the date of disposal by Mr. Ng for China PM (Holdings), Shanghai Fruit Construction Limited and Win Lee Building Engineering (Macau) Limited; and (ii) up to the Latest Practicable Date for Fruit Innovations Limited, there were no material non-compliance or litigation and claim against China PM (Holdings), Shanghai Fruit Construction Limited, Win Lee Building Engineering (Macau) Limited and Fruit Innovations Limited.

As a result of the Reorganisation, the Company became the holding company of the Group comprising FDB & Associates, FDBL, Marvo Architecture, SCCL, Sky Global, Win Lee, Win Lee (Project Team B) and Harvest Building. As confirmed by the Directors, there were no outstanding options, warrants and/or convertibles in respect of each member of the Group as at the Latest Practicable Date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart illustrates the corporate structure of the Group immediately following completion of the Reorganisation:



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

[REDACTED]

BUSINESS

OVERVIEW

The Group is principally engaged in (i) contracting service for alteration and addition works, maintenance, specialist works and new development; and (ii) consulting service for alteration and addition, new development, licensing, Building Services, and architectural design for buildings in Hong Kong. Set out below is an overview of the Group's businesses:

(a) Contracting service

For contracting service, the Group mainly undertakes alteration and addition works, renovation and maintenance for new and existing buildings and facilities in Hong Kong either as a main contractor or subcontractor. The Group's contracting service covers various types of buildings, including residential, commercial (e.g. office and hotel), industrial, institutional (e.g. hospital and school) and shops, and the purposes of such works include changing the use of building or renovating the facility. The Group also undertakes demolition works and building works for house, façade and signage.

In a contracting project, acting as either the main contractor or as a subcontractor, the Group is responsible for organising a project team for the overall implementation of the project according to the scope of work, which generally included planning, construction, monitoring and supervision until completion. The project team manages the cost, time and quality of the project through the arrangement of subcontractors, material and equipment procurement and direct labour employment.

The Group generally assigns its in-house team of direct workers to perform part of the site works and engages subcontractors to perform the remaining part of the site works. The Group leverages on the expertise of its in-house team of professional staff with project management experience and engineering knowledge to deliver quality work in conformity with customer's expectation and prescribed timeframe.

Customers of the Group's contracting service mainly include landlords/property developers and main contractors who contract all or part of the works to other subcontractors, such as the Group.

Revenue from a contracting project mainly represents the contracting fee income, while main costs include subcontracting charges incurred by the Group, staff costs of in-house staff involved, costs of material and other supplies required for the performance of the works.

(b) Consulting service

For consulting service, the Group mainly provides (i) Authorized Person services in preparing, submitting and obtaining approval from the relevant Government authorities for plans of building works, including new development or alteration and addition, and/or performing statutory supervision duties until certification upon work completion; (ii) licensing consultancy services including designing layout and obtaining clearance from the relevant Government authorities for licensing of restaurants, food and beverage outlets, food factories, etc.; (iii) design for Building Services systems installation for buildings and premises; and (iv) architectural design for new development, alteration and addition, renovation and fitting-out for buildings/premises in Hong Kong.

BUSINESS

For Authorized Person services, the Group is responsible for the provision of professional services which include feasibility study, design of plans, submission to and liaison with Government authorities and site supervision until work completion. For feasibility study, the Group provides advice on and checking of development parameters with respect to, among other things, statutory requirements and constraints imposed by any land lease arrangements. The Group's professional staff acts as the Authorized Persons in the preparation of plans and documents under the Buildings Ordinance for building works (for both new development or alteration and addition works) based on customers' requirements and parameters of the premises and in conformity with the applicable laws and regulations in Hong Kong. The Group then submits the plans and documents to the Building Authority for processing, and liaise with and obtain approval on the submitted plans from related Government authorities. Subject to the terms of the engagement, the Group's professional staff may continue the Authorized Person's role in supervising the execution of site works as per statutory requirements until the issuance of occupation permits and acknowledgement letters for new developments and alteration or addition works respectively upon completion of the building works.

For licensing consultancy services, the Group is responsible for the layout design and associated submissions for restaurants, food and beverage outlets, food factories, etc. in conformity with the applicable laws and regulations in Hong Kong for the purpose of obtaining the relevant licences to carry out their businesses. Such licenses include restaurant licence and food factory licence. The Group then submits the plans and documents to the corresponding licensing authorities and liaises with and obtains letters of requirements on the submitted plans and documents from the licensing authority. Upon completion of site works, the Group coordinates and makes submissions for certification along with the related documents to the licensing authority and follows through required inspections by related Government authorities until the issuance of licences to the customers.

On top of consulting services relating to new development or alteration and addition works, the Group also provides designing services for Building Services systems installation in a consulting project, which is essential to the functioning of a building. The Group can also offer architectural design in parallel with design for building works for new development or alteration and addition works in a consulting project. For renovation or fitting-out works not requiring statutory submissions to be made by the Group, the Group can also provide interior design service to customers separately.

The Group maintains an in-house team of professional staff specialised in surveying, architecture and engineering, and Authorized Persons who are eligible to submit to and obtain approval from the relevant Government authorities on the proposals for new development or alteration and addition works, to offer the aforesaid consulting services.

Customers of the Group's consulting service mainly include (i) for Authorized Person services, landlord/property developer and main contractor; and (ii) for licensing services, business operators of restaurants, food and beverage outlet, food factories, etc.. Consulting projects undertaken during the Track Record Period included redevelopment of sites and alteration and addition to utilise existing buildings for different purposes, such as residential/office property-to-hotel conversion.

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Revenue from a consulting project mainly represents the consulting fee income, while main costs include staff costs of in-house staff involved for the provision of the related consulting project and subconsulting charges.

The following table sets out a breakdown of the Group's revenue during the Track Record Period by business segments:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Contracting service	162,137	84.5	158,140	79.2	31,217	82.5	28,889	77.2
Consulting service	<u>29,824</u>	<u>15.5</u>	<u>41,414</u>	<u>20.8</u>	<u>6,631</u>	<u>17.5</u>	<u>8,544</u>	<u>22.8</u>
Total	<u><u>191,961</u></u>	<u><u>100.0</u></u>	<u><u>199,554</u></u>	<u><u>100.0</u></u>	<u><u>37,848</u></u>	<u><u>100.0</u></u>	<u><u>37,433</u></u>	<u><u>100.0</u></u>

The following table 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 three months ended 31 March			
	2013		2014		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Contracting service	14,447	8.9	19,092	12.1	4,679	15.0	4,783	16.6
Consulting service	<u>14,897</u>	<u>49.9</u>	<u>19,972</u>	<u>48.2</u>	<u>1,843</u>	<u>27.8</u>	<u>2,667</u>	<u>31.2</u>
Total	<u><u>29,344</u></u>	<u><u>15.3</u></u>	<u><u>39,064</u></u>	<u><u>19.6</u></u>	<u><u>6,522</u></u>	<u><u>17.2</u></u>	<u><u>7,450</u></u>	<u><u>19.9</u></u>

The higher gross profit margin from consulting service as compared to that of the contracting service was mainly attributable to the fact that contracting projects were more labour intensive than consulting service which led to higher direct labour costs as well as subcontracting charges that consist of, among other things, labour costs were incurred for contracting projects, and that raw material costs and other costs, such as site/workers insurance and rental expenses for equipment were also incurred for contracting projects.

The following table sets out a breakdown of the Group's revenue by projects undertaken by the Group in the capacity of main contractor and subcontractor during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	98,543	51.3	122,390	61.3	27,432	72.5	30,369	81.1
Subcontractor	<u>93,418</u>	<u>48.7</u>	<u>77,164</u>	<u>38.7</u>	<u>10,416</u>	<u>27.5</u>	<u>7,064</u>	<u>18.9</u>
Total	<u><u>191,961</u></u>	<u><u>100.0</u></u>	<u><u>199,554</u></u>	<u><u>100.0</u></u>	<u><u>37,848</u></u>	<u><u>100</u></u>	<u><u>37,433</u></u>	<u><u>100</u></u>

BUSINESS

The following table sets out a breakdown of the Group's gross profit and gross profit margin by projects undertaken by the Group in the capacity of main contractor and subcontractor during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)		(unaudited)	
Main contractor	26,124	26.5	28,883	23.6	5,191	18.9	6,438	21.2
Subcontractor	3,220	3.4	10,181	13.2	1,331	12.8	1,012	14.3
Total	29,344	15.3	39,064	19.6	6,522	17.2	7,450	19.9

The following table sets out the breakdown of the Group's revenue by projects for private sector and public sector during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)		(unaudited)	
Projects for private sector	189,926	98.9	199,351	99.9	37,744	99.7	37,415	99.9
Projects for public sector	2,035	1.1	203	0.1	104	0.3	18	0.1
Total	191,961	100.0	199,554	100.0	37,848	100.0	37,433	100.0

The following table sets out the breakdown of the Group's revenue by projects for new customers and repeated customers during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)		(unaudited)	
Projects for new customers	25,095	13.1	10,954	5.5	2,653	7.0	7,004	18.7
Projects for repeated customers	166,866	86.9	188,600	94.5	35,195	93.0	30,429	81.3
Total	191,961	100.0	199,554	100.0	37,848	100.0	37,433	100.0

BUSINESS

MARKET AND COMPETITION

The Directors consider that the level of demands for the Group’s contracting and consulting services depends on the development of the property market in Hong Kong as alteration and addition works and new development projects typically require consultant to provide design for alteration and addition works and new development, and project manager to plan, manage and supervise the site works. As disclosed in the section headed “Industry overview” in this document, the property market in Hong Kong is expected to grow in the coming years as a result of, among others, the Government targets to increase housing supply for the ten-year period from 2015/16 to 2024/25 as set out in the Long Term Housing Strategy promulgated by the Government, coupled with the growth trend of the general trades segment of the construction industry in Hong Kong.

For further information regarding the competitive landscape of the industry in which the Group operates, please refer to the paragraph headed “Competitive landscape and entry barriers” in the section headed “Industry overview” in this document.

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 commenced its business in 2008 when Mr. Ng acquired Win Lee and FDBL from Independent Third Parties in that year. The Group has been providing alteration and addition contracting and consulting service for new and existing buildings in Hong Kong.

During the Track Record Period, the Group has completed over 300 contracting and consulting projects for various types of buildings, including but not limited to hotels, shopping malls, offices, residential properties, schools and restaurant chains. Through the contracting and consulting projects completed over the years, the Group has accumulated vast experience in executing new buildings alteration and addition contracting and consulting projects. The Directors believe that the Group’s track record gives it a good reputation in the industry in Hong Kong for capable of delivering quality work in a timely manner for alteration and addition projects.

Diversified customer base with good relationship maintained

The Group has established a diversified customer base covering a range of business sectors, including construction contractors, property developers, hospitality groups, restaurant and fast food chain operators and educational institutions with recurring business relationship. The Group has maintained business relationship with top five customers during the Track Record Period for over one to five years (save for Ever Nice Asia Investment Limited (“**Ever Nice**”) which is a new customer of the Group).

The Group has developed expertise and know-how in handling customers from different industries with understanding of their respective requirements and insight into the issues unique to each industry. The reputation built up among the Group’s customer base has created business opportunities for the Group. Some of the Group’s customers for contracting/consulting service who previously engaged the

BUSINESS

Group for certain types of alteration and addition works, have subsequently engaged the Group for different types of works for other contracting/consulting projects during the Track Record Period. On the other hand, the successful track record of the Group in delivering consulting service for a specific business sector has led to business opportunities from major operators of such business sector, such as hospitality groups and restaurant and fast food chain operators.

Integrated one-stop alteration and addition contracting and consulting services

The Directors believe that one of its competitive strengths lies on its capability to provide turnkey solution to customers in both contracting and consulting services.

For contracting service, the Group has extensive experience in offering complete contracting service for alteration and addition works. The Group is closely involved throughout a contracting project from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance. On the other hand, the Group possesses the expertise in executing alteration and addition works of different nature and complexity for various types of buildings and structures. Examples include residential property-to-hotel conversion and renovation of an entire shopping mall.

For consulting service, the Group participates in both the designing and submission of alteration and addition plans. The Group's service covers feasibility study where the Group provides advice on the proposed alteration and addition works with respect to the statutory requirements and other constraints. The Group offers designs that meet clients' requirements while complying with the applicable laws and regulations as well as any requirements and constraints identified. The Group then acts as Authorized Person to make submission of the plans designed by it and obtain approval on the plans from the relevant Government authorities. The Group may continue the Authorized Person's role in supervising the execution of site works as per statutory requirements until the issuance of occupation permits and acknowledgement letters for new developments and alteration or addition works respectively upon completion of the building works.

During the Track Record Period, the Group had in four projects offered both consulting and contracting services for the same project, with alteration and addition works carried out pursuant to the plans designed by the Group which have been submitted to and approved by the relevant Government authorities.

The Directors believe that being a one-stop solution provider for both contracting and consulting services allows the Group to ensure the consistency and quality of work, and provide convenience to the Group's customers by saving the need to engage different parties for the execution of a project.

Expertise to deliver value added services

The Group possesses the expertise and experience to deliver solutions that may add value to its projects and potentially lowering the cost and time involved.

For contracting service, examples of value adding services include that the Group could review and comment on the design of a project, such as amending the design thereby changing the output or the execution of the alteration and addition works as the Group's project team consider appropriate to the project.

BUSINESS

For consulting service, the Group’s professional staff, being capable of acting as Authorized Person to make submission in relation to alteration and addition plans, possesses the knowledge and expertise as to the statutory requirements and administration procedures for making alteration and addition submission, and is experienced in liaising with Government authorities in resolving any comments and queries for obtaining approval for submitted plans. As discussed in the paragraph headed “Operating procedures — Consulting service — Approval from Government authorities” in this section, the number of approvals obtained for submissions made to the Building Authority under the Authorized Person services was 91, 123 and 27 for the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015 respectively.

As at the Latest Practicable Date, the Group’s in-house team of professional staff for both contracting and consulting service comprised of a total of 19 staff with professional qualifications, including Mr. Ng, Mr. Lai and Mr. Chung Yuk Ming, Christopher, Mr. Ip Kong Ling and Mr. Yu Hung Kwan, Jason. Mr. Ng, being an executive Director and the Chairman of the Board, worked in Buildings Department of the Government for over 10 years, with the last position being building surveyor, and has in-depth understanding of the laws and regulations governing buildings in Hong Kong. For the Group’s in-house professional team comprising 19 members as at the Latest Practicable Date, eight of them were members of the Hong Kong Institute of Surveyors, five were members of the Royal Institution of Chartered Surveyors and three were members of the Hong Kong Institution of Engineers.

Based on the above, the Director consider that the Group has a strong in-house team of professional staff who plays a critical role in both contracting and consulting 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 contracting and consulting services for new developments and existing buildings 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 developing the Group’s contracting and consulting business

The capacity of the Group in undertaking contracting projects depends on the amount of its available working capital. There are often time lags between making payments to the Group’s subcontractors and other suppliers and receiving payments from the customers.

In addition, some contracting projects in the construction industry require contractors to provide surety bonds issued by a bank or insurance company in favour of the customer, with an amount generally equals to a percentage of the contract sum of the underlying contract. Under the surety bond, if the contractor fails to perform the contract according to the terms therein, the customer is guaranteed compensation for any monetary loss up to the amount of the surety bond, thereby offering guarantee to the satisfactory completion of the works to be performed by the contractor. Further details on surety bonds are contained in the paragraph headed “Customers — General terms of engagement with customers — Contracting service — (vii) Surety bonds” in this section.

BUSINESS

During the Track Record Period, the Group had undertaken projects that required the provision of surety bonds. As at 31 December 2013, 31 December 2014 and 31 March 2015, the amount of surety bonds provided by the Group were approximately HK\$1.4 million, HK\$1.8 million and HK\$3.7 million respectively.

In further developing the contracting business and having regard to the Group's available financial resources, the Directors intend to undertake more projects of larger scale in terms of contract sum in the future. The Group will endeavour to continue its business relationship with its existing customers while procuring new customers of both landlords/property developers and main contractors.

The Directors believe that the [REDACTED] from the [REDACTED] will strengthen the Group's available financial resources, thereby allowing the Group to undertake more projects of larger scale which are more working capital demanding and include those that require the provision of surety bond.

Besides, the Group will continue to further market its reputation as an integrated provider of contracting and consulting services for new and existing buildings in Hong Kong. The marketing activities to be carried out may include exhibition, conference, sponsorship, direct marketing and advertisement. The Directors believe that marketing activities will enhance the market awareness of the Group and potentially broaden its client base.

2. Further expanding the scope of services

To enhance the comprehensiveness of the Group's services, the Group intends to expand its contracting and consulting services from time to time and apply for additional licences, permits or qualifications which may be required. For instance, the Group intends to make an application to the Buildings Department for the registration as a registered specialist contractor (foundation), in order to expand its scope of services of contracting service to include foundation works. As at the Latest Practicable Date, none of the Group's key employees possessed the required qualifications and experience to act as an authorised signatory or technical director for a registered specialist contractor (foundation). The Group intends to recruit staff that possesses the relevant qualifications and experience for the application for registration as a registered specialist contractor (foundation).

The staff to be recruited by the Group to act as authorised signatory/technical director for the registration of registered specialist contractor (foundation), while will not be appointed as member(s) of the Board, will be appointed as director(s) of the board of directors of the Group's subsidiary(ies) applying for the registration. The Group plans to make such arrangements in order to comply with the requirements of the Building Authority. As required by the Building Authority, a technical director must be a director from the board of directors of the applicant. For details, please refer to the paragraph headed "C. Licensing regime" in the section headed "Regulatory overview" in this document.

Moreover, the Group also intends to undertake more projects in relation to construction of new building. Up to the Latest Practicable Date, the Group entered into two engagements for contracting projects as a main contractor for the construction of a new building in Hong Kong.

BUSINESS

3. Further strengthening the Group’s in-house team of professional staff

The Group considers that it is crucial to its continuing success to maintain its strong in-house team of professional, which the Group has relied on for the execution of both contracting and consulting services.

The Group intends to expand its in-house team of professional staff by recruiting additional qualified and experienced staff, including surveyors and engineers, in order to cope with its business development for both contracting and consulting services by undertaking projects of larger scale and of higher complexity.

In addition, the Group intends to continue encouraging its professional staff to attend technical courses, seminars of continuing professional development and occupational health and safety courses by sponsoring the admission fees.

Implementation of business strategies

As at the Latest Practicable Date, the Group has not identified any target for acquisition and did not have any acquisition plan.

For further details on the implementation of the above-mentioned business strategies, please refer to the section headed “Statement of business objectives and [REDACTED]” in this document.

BUSINESS

CONTRACTS ENTERED INTO AND PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

The following table sets out the number of projects with engagement confirmed during the Track Record Period:

	Number of projects with engagement confirmed			
	For the year		For the three months	
	ended 31 December		ended 31 March	
	2013	2014	2014	2015
Contracting service	28	37	4	3
Consulting service	<u>136</u>	<u>169</u>	<u>36</u>	<u>28</u>
	<u>164</u>	<u>206</u>	<u>40</u>	<u>31</u>

The following table sets out the number of projects with revenue contribution to the Group during the Track Record Period:

	Number of projects with revenue contribution			
	For the year		For the three months	
	ended 31 December		ended 31 March	
	2013	2014	2014	2015
Contracting service	38	54	24	19
Consulting service	<u>199</u>	<u>259</u>	<u>73</u>	<u>74</u>
	<u>237</u>	<u>313</u>	<u>97</u>	<u>93</u>

The following table sets out the number of projects with revenue contribution undertaken by the Group in the capacity of main contractor and subcontractor during the Track Record Period:

	Number of projects with revenue contribution			
	For the year		For the three months	
	ended 31 December		ended 31 March	
	2013	2014	2014	2015
Main contractor	175	246	72	75
Subcontractor	<u>62</u>	<u>67</u>	<u>25</u>	<u>18</u>
	<u>237</u>	<u>313</u>	<u>97</u>	<u>93</u>

BUSINESS

The following table sets out the breakdown of projects with revenue contribution undertaken by the Group by projects for private sector and public sector during the Track Record Period:

	Number of projects with revenue contribution			
	For the year ended 31 December		For the three months ended 31 March	
	2013	2014	2014	2015
Projects for private sector	227	311	95	91
Projects for public sector	<u>10</u>	<u>2</u>	<u>2</u>	<u>2</u>
	<u><u>237</u></u>	<u><u>313</u></u>	<u><u>97</u></u>	<u><u>93</u></u>

The following table sets out the breakdown of projects with revenue contribution undertaken by the Group by projects for new customers and repeated customers during the Track Record Period:

	Number of projects with revenue contribution			
	For the year ended 31 December		For the three months ended 31 March	
	2013	2014	2014	2015
Projects for new customers	23	29	8	9
Projects for repeated customers	<u>214</u>	<u>284</u>	<u>89</u>	<u>84</u>
	<u><u>237</u></u>	<u><u>313</u></u>	<u><u>97</u></u>	<u><u>93</u></u>

Contracting service

The following table sets out the range of contract sum of the 28, 37 and 3 contracting projects with engagement confirmed for each of the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, respectively.

	Contract sum per contracting project with engagement confirmed			
	During the year ended 31 December		During the three months ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maximum	16,031	75,550	4,500	81,583
Minimum	5	12	12	13
Average	4,761	4,682	1,547	27,355

BUSINESS

The average contract sum per contracting project with engagement confirmed during the year/period was approximately HK\$4.8 million, HK\$4.7 million and HK\$27.4 million for each of the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, respectively. Set out below is the breakdown of contracting projects with engagement confirmed during the Track Record Period by range of contract sum:

	Number of contracting projects with engagement confirmed			
	For the year ended 31 December		For the three months ended 31 March	
	2013	2014	2014	2015
HK\$10,000,000 or above	6	4	—	1
HK\$5,000,000 to below HK\$10,000,000	5	2	—	—
HK\$1,000,000 to below HK\$5,000,000	5	11	2	—
Below HK\$1,000,000	<u>12</u>	<u>20</u>	<u>2</u>	<u>2</u>
	<u>28</u>	<u>37</u>	<u>4</u>	<u>3</u>

The following table sets out the range of revenue recognised during the year/period of the 38, 54 and 19 contracting projects with revenue contribution for each of the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively.

	Revenue recognised during the year/period per contracting project with revenue contribution			
	During the year ended 31 December		During the three months 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	26,772	27,927	7,507	7,844
Minimum	7	5	12	2
Average	4,267	2,906	1,083	1,404

BUSINESS

The following table sets out the top five contracting 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\$'000</i>	% of the Group's total revenue for the year ended 31 December 2013
1.	Customer A	Undertaking renovation and repair works as a subcontractor	26,772	13.9%
2.	Customer A	Undertaking term contract for minor works for hospitals managed by the Hospital Authority as a subcontractor	25,359	13.2%
3.	Customer B	Undertaking expansion works as a subcontractor	16,355	8.5%
4.	Customer C	Undertaking annual facilities maintenance repair and improvement works as a main contractor	15,605	8.1%
5.	Customer D	Undertaking supply and installation works for the façade of a branch as a main contractor	9,819	5.1%

BUSINESS

The following table sets out the top five contracting 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 HK\$'000	% of the Group's total revenue for the year ended 31 December 2014
1.	Wang Fu Construction Engineering Limited ("Wang Fu")	Undertaking renovation work as a subcontractor	27,927	14.0%
2.	Customer A	Undertaking term contract for minor works for hospitals managed by the Hospital Authority as a subcontractor	17,232	8.6%
3.	Sinociti Limited ("Sinociti")	Undertaking foundation and excavation and lateral support work as a main contractor (<i>Note</i>)	15,332	7.7%
4.	Customer F	Undertaking driven H-pile and excavation and lateral support works as a main contractor (<i>Note</i>)	11,104	5.6%
5.	Customer A	Undertaking term contract for minor works for provision of barrier free access and facilities to hospitals and other premises managed by the Hospital Authority as a subcontractor	11,038	5.5%

BUSINESS

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

Rank	Customer	Key scope of work	Amount of revenue recognised for the three months ended 31 March 2015 HK\$'000	% of the Group's total revenue for the three months ended 31 March 2015
1.	Customer F	Undertaking driven H-pile and excavation and lateral support works as a main contractor <i>(Note)</i>	7,844	21.0%
2.	Wang Fu	Undertaking renovation works as a subcontractor	4,550	12.2%
3.	Ever Nice	Undertaking consultancy services and fitting out work as a main contractor	3,372	9.0%
4.	Customer C	Undertaking garden and lifting platform construction works as a main contractor	2,870	7.7%
5.	Customer G	Undertaking renovation work as a subcontractor	2,359	6.3%

Note: Driven H-pile and excavation and lateral support works relate to site works that require the registration of registered specialist contractor.

Notwithstanding that the Group is not registered as a registered specialist contractor (foundation), the Group subcontracted the relevant site works that require the registration of registered specialist contractor to a subcontractor which holds the said registration. As mentioned in the paragraph headed “Licences and permits” in this section, as advised by the Hong Kong Legal Advisers, in respect of the provision of contracting service, the Group is not required to obtain any requisite licenses, permits or approval other than the business registration for the execution of the site works, given that the Group subcontracts the site works to subcontractors who hold the requisite licences, permits or approval.

BUSINESS

Consulting service

The following table sets out the range of contract sum of the 136, 169 and 28 consulting projects with engagement confirmed for each of the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, respectively.

	Contract sum per consulting project with engagement confirmed			
	During the year ended 31 December		During the three months 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	9,000	5,247	1,700	7,368
Minimum	4	4	4	5
Average	250	212	197	390

The average contract sum per consulting project was approximately HK\$250,000, HK\$212,000 and HK\$390,000 for each of the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, respectively. Set out below is the breakdown of consulting projects with engagement confirmed during the Track Record Period by range of contract sum:

	Number of consulting projects with engagement confirmed			
	For the year ended 31 December		For the three months ended 31 March	
	2013	2014	2014	2015
HK\$5,000,000 or above	1	2	—	1
HK\$1,000,000 to below HK\$5,000,000	4	4	1	1
Below HK\$1,000,000	<u>131</u>	<u>163</u>	<u>35</u>	<u>26</u>
	<u><u>136</u></u>	<u><u>169</u></u>	<u><u>36</u></u>	<u><u>28</u></u>

BUSINESS

The following table sets out the range of revenue recognised during the year/period of the 199, 259 and 74 consulting projects with revenue contribution for each of the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, respectively.

	Revenue recognised during the year/period per consulting project with revenue contribution			
	During the year ended 31 December		During the three months 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	3,841	3,684	815	746
Minimum	4	4	10	4
Average	146	157	86	111

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

Rank	Type of customer/ customer	Key scope of work	Amount of revenue recognised for the year ended 31 December 2013 <i>HK\$'000</i>	% of the Group's total revenue for the year ended 31 December 2013
1.	Customer A	Provision of consulting services for the alterations, additions, maintenance and repair of buildings and lands and other properties	3,841	2.0%
2.	Customer A	Provision of consulting services for the design and construction of minor works	1,479	0.8%
3.	Customer E	Provision of Authorized Person services for renovation work	1,187	0.6%
4.	Government authorities	Provision of consulting services for preparation of asset register for historic buildings and declared monument	755	0.4%
5.	Customer F	Provision of consulting services for redevelopment of property	731	0.4%

BUSINESS

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

Rank	Type of customer/ customer	Key scope of work	Amount of revenue recognised for the year ended 31 December 2014 <i>HK\$'000</i>	% of the Group's total revenue for the year ended 31 December 2014
1.	Property developer	Provision of Authorized Person services to maximize the development potential	3,684	1.8%
2.	Customer A	Provision of consulting services for the design and construction of minor works	3,211	1.6%
3.	Transportation company	Provision of Authorized Person services and other consulting services for alteration and addition works for investment properties	2,495	1.3%
4.	Customer A	Undertaking term contract for checker and surveying services	1,786	0.9%
5.	Customer F	Provision of Authorized Person services for redevelopment of property	1,369	0.7%

BUSINESS

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

Rank	Type of customer/ customer	Key scope of work	Amount of revenue recognised for the three months ended 31 March 2015 <i>HK\$'000</i>	% of the Group's total revenue for the three months ended 31 March 2015
1.	Transportation company	Provision of Authorized Person services and other consulting services for alteration and addition works for investment properties	746	2.0%
2.	Investment holding company	Provision of Authorized Person services for renovation works	666	1.8%
3.	Investment holding company	Provision of Authorized Person services for renovation works	648	1.7%
4.	Customer F	Provision of Authorized Person services for redevelopment of property	600	1.6%
5.	Customer A	Undertaking term contract for checker and surveying services	437	1.2%

There was one loss making contracting project during the Track Record Period. The customer of this project is Customer A as main contractor. This project relates to the undertaking of a term contract (the "Term Contract A") for minor works for a hospital managed by the Hospital Authority. The Term Contract A was entered into between the Group and Customer A on 19 September 2012 with original contract term of 36 months from 1 October 2012 to 30 September 2015. The scope of work of the Term Contract A includes the provision of maintenance services and builder's works. The fee to be received by the Group for each order placed under the Term Contract A shall be based on the Schedule of Rates for Term Contracts for Building Works (2010 Edition) published by the Architectural Services Department of the Government, less a certain percentage as administrative fee of Customer A. Retention monies are 5% of contract price of each works order, and shall be capped at HK\$1,500,000. The Term Contract A also contains a provision for advances, pursuant to which the Group may obtain advances from Customer A during the project duration, subject to an interest rate of up to P+3%, where P is the Hong Kong Dollar Prime Rate effective from time to time.

Total revenue recognised under the Term Contract A was approximately HK\$42.6 million. The total gross loss of this contracting project amounted to approximately HK\$15.1 million.

BUSINESS

Prior to entering into the Term Contract A, the Group had entered into a few term contracts for contracting service, but the Term Contract A was the first term contract undertaken by the Group of such scale with expected contract sum of above HK\$10 million. As term contract resembles a framework contract under which the customer may, but is not obligated to, place work orders pursuant to the terms therein, the Term Contract A does not set out the maximum or minimum contract value of which work orders may be placed. During the contract term of the Term Contract A, the Group must duly execute any work orders placed under the Term Contract A.

At the inception of the contract, the Group had prepared a budget plan to estimate the value of work orders to be placed under the Term Contract A during the contract term. Such budget plan was prepared based on the list of planned projects for the subject hospital compiled by the Hospital Authority, where each projects may comprise different categories of work orders which have different project estimates. Unlike other contracting projects where the amount of works to be carried out by the Group is defined at the inception of the contract, the exact amount of each category of work orders to be issued by the customer could not be ascertained at the inception of a term contract. As confirmed by the Directors, the Group had estimated the composition of different categories of work orders expected to be placed and estimated a gross profit margin of the Term Contract A based on such estimation on the composition of work orders.

The estimated value of work orders were approximately HK\$42.4 million, HK\$32.1 million and HK\$19.3 million for each of the three years ending 31 December 2015, respectively, adding to a total of approximately HK\$93.8 million. The actual value of work orders placed, however, amounted to approximately HK\$25.4 million and HK\$17.2 million for the years ended 31 December 2013 and 2014 respectively, representing a shortfall of approximately HK\$17.0 million and HK\$14.9 million, respectively. Moreover, the actual composition of different categories of work orders deviated from initial estimation where proportion of work orders with lower gross profit margin was higher than initially estimated. Furthermore, certain work orders placed under the Term Contract A recorded gross loss due to that the value of the work orders placed were fixed while the Group must duly execute such work orders even at costs higher than the predetermined work order value. As confirmed by the Directors, the higher costs required for such work orders were due to, among other things, the difficulty of the work orders that required the engagement of subcontractors which charged for relatively higher subcontracting charges. Due to the nature of term contract, the Group could not estimate the amount of such work orders that might record gross loss.

In anticipation of the work orders from the Term Contract A, the Group had hired additional direct workers for the execution of the site works under the Term Contract A. The number of the Group's direct workers increased from 14 as at 31 December 2012 to 47 as at 31 December 2013. The direct labour costs incurred under the Term Contract A were approximately HK\$6.5 million and HK\$4.8 million for the two years ended 31 December 2013 and 2014, respectively, representing approximately 16.9% and 25.1% of the total costs incurred under the Term Contract A for the respective years, which were higher than that of approximately 12.1% and 10.5%, respectively for other contracting projects (excluding the Term Contract A). No revenue was recognised under Term Contract A for the year ended 31 December 2012 and no corresponding direct labour cost was incurred for the year ended 31 December 2012. Initially, the hiring of additional direct workers for the Term Contract A aimed to reduce costs by sharing the use of direct workers for multiple work orders, considering that the Term Contract A only covered one hospital premises. However, due to the shortfall in work orders, the additional direct labour cost dragged down the overall gross profit margin of the Term Contract A.

BUSINESS

Due to the combined effect of the above factors, being (i) shortfall in actual value of work order placed under the Term Contract A from the budget plan; (ii) due to the shortfall in work orders, the additional direct labour cost dragged down the overall gross profit margin of the Term Contract A; (iii) the actual proportion of work orders with lower gross profit margin was higher than initially estimated, the Term Contract A resulted in costs overrun and was loss making; and (iv) certain work orders placed under the Term Contract A recorded gross loss as the value of the work orders placed were fixed while the Group must duly execute such work orders even at costs higher than the predetermined value of the work orders.

The revenue from the Term Contract A was approximately HK\$9.2 million for the first half of 2013 and increased to approximately HK\$16.2 million for the second half of 2013, while the losses on the Term Contract A were approximately HK\$4.2 million for the first half of 2013, and further deteriorated to HK\$8.9 million for the second half of 2013 alongside the increase in revenue generated. The revenue from the Term Contract A for the first half of 2014 decreased to approximately HK\$8.9 million, while losses narrowed to only approximately HK\$1.0 million. Having considered the decrease in value of work orders in the first half of 2014 and the continuation of loss-making of the Term Contract A, which in combined effect indicating the decreasing likelihood of turnaround as from the Directors' point of view, notwithstanding the sign of narrowing losses, the Group issued a letter dated 30 June 2014 to Customer A to request for early termination of the Term Contract A. In the meantime, the Group reduced the number of direct workers from 47 as at 31 December 2013 to 23 as at 30 June 2014, and further to 17 as at 30 September 2014. The Group had negotiated with Customer A for early termination of the Term Contract A following its letter dated 30 June 2014. During the second half of 2014, the Group further recorded losses of approximately HK\$1.0 million under the Term Contract A. As a result of the foregoing, the Term Contract A was terminated on 29 September 2014 as agreed between the Group and Customer A, which is one year prior to the expiry of the Term Contract A in September 2015, and neither parties are subject to any compensation claim against each other for the early termination.

On 8 August 2013, the Group entered into the second term contract ("**Term Contract B**") with Customer A for the minor works for certain hospitals managed by the Hospital Authority. The salient terms of the Term Contract B are similar to that of the Term Contract A. Considering the experience derived from the Term Contract A, the Group adopted a different approach for the Term Contract B, which the Group deployed relatively more subcontractors for the execution of site work for the Term Contract B as compared with that of Term Contract A, as reflected by the decrease in direct workers of the Group from 47 as at 31 December 2013 to 17 as at 30 September 2014 and 13 as at 31 December 2014. Such approach of deploying relatively more subcontractors in carrying out the Term Contract B allows more flexibility in cost control. For the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, revenue derived from Term Contract B were approximately HK\$205,000, HK\$11,038,000 and HK\$130,000, respectively, while the corresponding gross profit were approximately HK\$8,000, HK\$3,524,000 and HK\$33,000, respectively.

BUSINESS

The Term Contract B was the only term contract undertaken by the Group following Term Contract A, and was the only term contract remained ongoing as at the Latest Practicable Date. The scope of the Term Contract B relates to the builder's work portion of the term contract entered into between Customer A and the Hospital Authority, which according to the public information disclosed by Customer A, completion of such term contract is expected to take place in February 2017. For the Term Contract B, the Group has prepared a project budget which projects (i) the estimated amount of revenue as a result of the work orders received during the contract term; (ii) the associated estimated costs to be incurred; (iii) the resulting estimated gross profit of the project. Actual expenses incurred and cash flow status is monitored by the project team on an ongoing basis, with actual-versus-budget analysis being performed semi-annually, and be submitted to management for review. In addition to adopting the approach of deploying relatively more subcontractors in carrying out the Term Contract B which allows more flexibility in cost control, the Group appointed Mr. Chung Yuk Ming, Christopher in September 2014 as the project director of the Group for the organisation, management and supervision of the Group's contracting project, who is also responsible for monitoring the cost plans of the Group's contracting projects, including that of the Term Contract B.

Apart from the Term Contract A, the Group did not have other loss-making term contract during the Track Record Period and up to the Latest Practicable Date. In view of the potential downside of term contract for contracting service as reflected by the circumstances of the Term Contract A, the Group has adopted the following internal control measures to manage the associated risks of undertaking term contract or contract that resemble a term contract where the customer may, but is not obligated to, place work orders pursuant to the terms therein while the Group must duly execute any work orders placed under such contract during the contract term: (i) only term contract with estimated gross profit of 30% or above based on the budget plan prepared by the Group will be undertaken, with such budget plan being reviewed by the independent non-executive Directors before the Group entering into such term contract; and (ii) the independent non-executive Directors will review the actual-versus-budget analysis of the Group's term contracts quarterly to monitor their status.

Save as disclosed above, the Group did not have any other loss-making projects, whether due to reason of cost overruns or not, during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

PROJECTS IN PROGRESS

As at the Latest Practicable Date, the Group had a total of 116 projects in progress (including projects that have commenced but not completed and projects that have been awarded to the Group but not yet commenced). 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 <i>(Note)</i> HK\$'000	Corresponding amount of revenue expected to be recognised after the Latest Practicable Date <i>(Note)</i> HK\$'000
		Maximum HK\$'000	Minimum HK\$'000		
Contracting projects	21	81,583	190	301,910	151,877
Consulting projects	<u>95</u>	26,284	4	<u>122,893</u>	<u>82,773</u>
Total	<u>116</u>			<u>424,803</u>	<u>234,650</u>

Note: The contract sum of all projects in progress is based on the aggregate contract sum of each project as stated in the respective contract plus variation orders issued prior to the Latest Practicable Date. Amount of revenue expected to be recognised for each project in progress is calculated by subtracting the amount of revenue recognised from the project up to the Latest Practicable Date from the respective contract sum.

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

	Number of projects in progress for contracting service
Expected to be completed:	
— from the Latest Practicable Date to 31 December 2015	16
— from 1 January 2016 to 31 December 2016	<u>5</u>
Total	<u>21</u>

BUSINESS

The following table sets out a breakdown of amount of revenue to be recognised from such projects in progress for contracting service, based on the schedule of works set forth in the contracts and/or management's estimation on work progress, by the expected time of revenue recognition:

	Contracting service
	<i>HK\$'000</i>
Amount of revenue expected to be recognised:	
— between the Latest Practicable Date to 31 December 2015	91,247
— between 1 January 2016 to 31 December 2016	<u>60,630</u>
Total	<u>151,877</u>

As consulting projects generally do not have a prescribed timeframe for obtaining approval from Government authorities under the terms of the contract, the expected completion date and accordingly the expected time of full revenue recognition cannot be estimated.

Recent contracts awarded

On 18 March 2015, FDBL entered into a consulting contract of total contract sum of approximately US\$2.3 million (equivalent to approximately HK\$17.9 million) with a PRC government department in relation to the provision of supervision service by FDBL on a construction work in Nepal.

The duration of the construction work is expected to be 25 months. Commencement of the construction work took place in June 2015. Pursuant to the terms of the contract, FDBL must assign a supervision team headed by a member of relevant professional bodies in Hong Kong, including The Hong Kong Institute of Surveyors, The Hong Kong Institution of Engineers or The Hong Kong Institute of Architects, to provide supervisory services to the construction works at the work site in Nepal during the construction period. Such supervision team formed by FDBL to carry out the supervision services under the contract in Nepal shall be trained, assigned and managed according to the relevant systems adopted in Hong Kong which, to the best knowledge of the Directors, refers to the common practice for the supervision of contracting project in Hong Kong. The supervisory services include, among other things, construction work organisation and progress management, on-site supervision, material and equipment procurement management, safety supervision, quality control and testing, payment certification, and variation order management. Pursuant to the terms of the contract, the supervision services to be provided by FDBL do not include advising on compliance with Nepalese regulations/codes.

The payment term of the service fees under the contract is based on the milestones of the construction work. Up to the Latest Practicable Date, FDBL has received service fees of approximately HK\$7.1 million. No revenue was recognised during the Track Record Period under this contract.

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In identifying a supervisor for the Nepal project, the PRC government department approached providers of contracting and consulting services in Hong Kong, including FDBL, as selected from the list of companies which are operated by members of The Hong Kong Institute of Surveyors Building Surveying Division. The Directors believe that, as reflected by the terms of the contract as disclosed above, the PRC government department requires the supervision team in carrying out the supervision services in Nepal to be headed by a member of relevant professional bodies in Hong Kong and managed according to the relevant systems adopted in Hong Kong. Notwithstanding that FDBL did not have prior experience in carrying out supervision services for construction work in Nepal, given that FDBL is operated by members of The Hong Kong Institute of Surveyors Building Surveying Division and supported by a strong in-house team of professional staff of the Group, the Group's established track record of over 300 contracting and consulting projects completed during the Track Record Period, and the Group's experience in the execution of contracting projects in Hong Kong that includes project planning, monitoring and supervision to manage the cost, time and quality of the project, which meet the scope of supervision services required by the PRC government department, FDBL had been selected to undertake the project. Having considered the terms offered by the PRC government department in the contract, the Group decided to undertake the project. Notwithstanding the undertaking of the Nepal project, the Group's business focus remains in the Hong Kong market.

As advised by the legal advisers of the Company as to Nepal Law, (i) there is no major legal impediment for FDBL to enforce and implement the contract in Nepal; and (ii) the supervision team has already obtained employment visa from the relevant authority in Nepal and complied with other requirements for the purpose of implementing the contract.

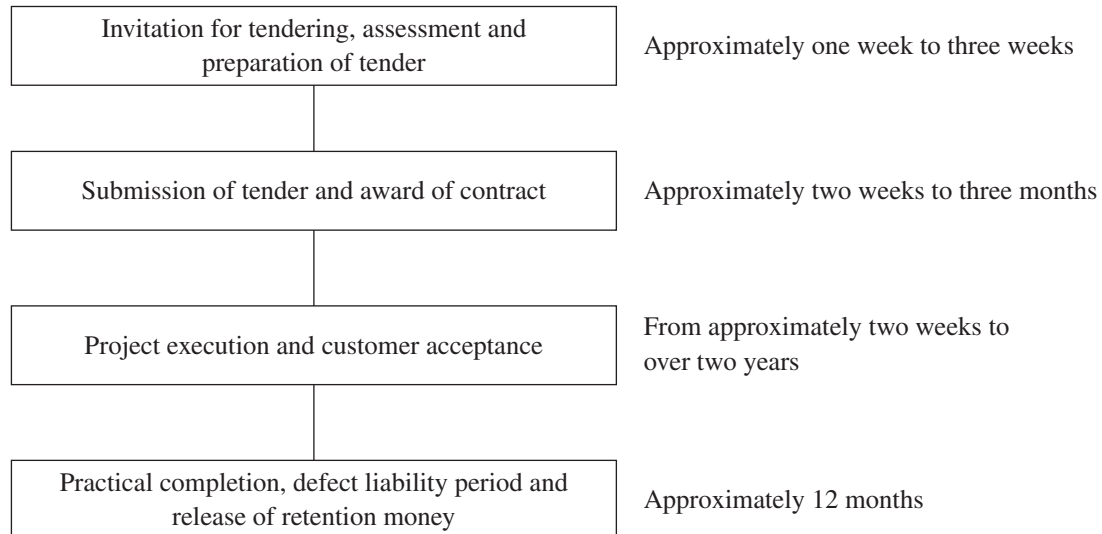
Subsequent to 31 March 2015 and up to the Latest Practicable Date, the Group has been awarded (i) 20 new contracts of contracting service with an aggregate contract sum of approximately HK\$73.0 million; and (ii) 95 new contracts of consulting service with an aggregate contract sum of approximately HK\$32.3 million.

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OPERATING PROCEDURES

Contracting service

The following diagram summaries the principal steps of the workflow in a typical transaction in respect of the Group’s contracting service:



The process commencing from invitation for tendering to completion of the project with acceptance from customers generally takes between one month to three months. 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, assessment and preparation of tender

The Group is mainly invited by its customer (either the landlord/property developer itself or its consultant, or the main contractor) to submit a tender, or is sometime invited to provide a quotation, for a potential contracting project. The Group is provided with the tender documents which contain the work specifications and drawings along with the invitation. For further details, please refer to the paragraph headed “Sales and marketing” in this section.

Upon receiving an invitation for tender, a project manager and a quantity surveyor being put in charge of the tendering (the “**tendering team**”) will review the request for tender with respect to the scope of work, complexity, difficulty, costing, time frame and similar projects completed by the Group before, for the assessment of the project and preparation of the tender which sets out, among other things, project organisation chart, work plan and programme as well as the tender price.

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The tendering team will be responsible for assessing the commercial aspect of the project by determining the project procedures and project duration, estimating the human resources and materials required as well as identifying any restrictions and potential issues of the project. A cost plan will be prepared based on the work plan and estimations determined by the tendering team. The tendering team will then consolidate the information to be submitted in the tender submission documents.

Alongside the preparation of the tender, certain analyses including cash flow analysis and risk assessment will be carried by the tendering team. Results of such analyses as well as the capacity of the Group, the availability of resources, the contract size, the profitability of the project and the worthiness to bid for a particular project will be considered in deciding whether to submit the tender. The Directors will then decide, based on the assessment made by the tender team as well as the results of the aforesaid analysis, whether to make the tender submission.

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

Submission of tender and award of contract

Upon receiving the Group's tender, the customer may by way of interviews or enquiries clarify with the Group the particulars of the tender. Based on the tender submitted by the Group, the customer may further negotiate with the Group on the commercial and technical terms.

The customer then confirms the awards of contract to the Group in the form of letter of award/ letter of intent/purchase order which requires countersigning by the Group, or a contract to be entered into between the Group and the customer. The letter of award together with the tender submitted by the Group and any annexations to the letter of award, including the tender documents, tender addenda and post-tender correspondence (e.g. submission of work schedule, execution plan and resources deployment schedule), constitute a contract between the Group and the customer.

Project execution and customer acceptance

Formation of project team

Once a contract is awarded, the project manager will form an in-house project management team for the project. The project manager will be responsible for the overall management of the project. The project will be implemented, including the arrangement of subcontractors and the sourcing of materials, in accordance with the work plan and the programme as contained in the tender document. The project management team will also review the designs and provide advice to the designs as necessary.

Subcontracting

In a contracting project, the Group generally assigns its in-house team of direct workers to perform part of the site works and engages subcontractors to perform the remaining part of the site works, such subcontracting arrangement is also known as subletting. Subletting is proceeded in accordance with the cost planning of the respective project. The project manager of a project oversees the execution of the subletting strategy based on the cost plan. As site works for alteration and addition, maintenance, specialist works and new development are in general labour intensive, the use of subcontractors allow

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the Group to undertake at the same time multiple projects that are labour intensive and/or require workers with specific skills/licences, which in turn enable the Group to deploy its resources in a more cost effective manner.

The Group maintained an approved list of subcontractors which is updated on a continuous basis and reviewed annually at year end. As at the Latest Practicable Date, the Group maintained a list of more than 200 subcontractors and material suppliers. Further details on the use of subcontractors are set out in the paragraph headed "Suppliers and subcontractors" in this section. To the best of the Directors' knowledge and belief, all of the subcontractors on the approval list as at the Latest Practicable Date were Independent Third Parties.

Material procurement

Materials are sourced by the Group and/or its subcontractors depending on the nature and requirements of the project. Common materials used in the Group's contracting projects include bricks, concrete blocks, cement, aggregate, sands and steel. Materials may be sourced by subcontractors if (i) it is cost-effective for such materials to be provided by the subcontractors directly; and/or (ii) there is open market rates for such materials. The costs of such material as provided by the subcontractors are included in the subcontracting charges.

To ensure the quality of the materials sourced by both itself and the subcontractors, the project management team will also be responsible for conducting quality control on materials used in its contracting projects. All materials sourced will be stored at the work site where the alteration and addition works are carried out for direct utilisation. Storage of sufficient quantity of materials 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.

Work supervision and inspection

During the course of the execution of the site works, the project manager or the designated member of the project management team will carry out site inspection to monitor the work progress and the quality of work from time to time and report the work progress on a monthly 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's in-house workers and subcontractors who will report the project progress to the project team on an ongoing basis. Customers of the Group and/or their consultants also assign personnel to supervise the execution of site work and monitor the project progress. The project team of the Group and the customer will hold meeting from time to time to follow up the project progress and issues encountered. The project management team will ensure that the execution of the site works comply with all the statutory requirements in connection with the works, safety, environmental and other relevant laws and regulations.

Application for payment and certification

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 of work done and the corresponding value of such 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 which normally takes around seven to 45 days from the date of progress payment

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application. The Group will then proceed to invoice the customer with the payment certificate received. Customers of the Group generally retain between 5% 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.

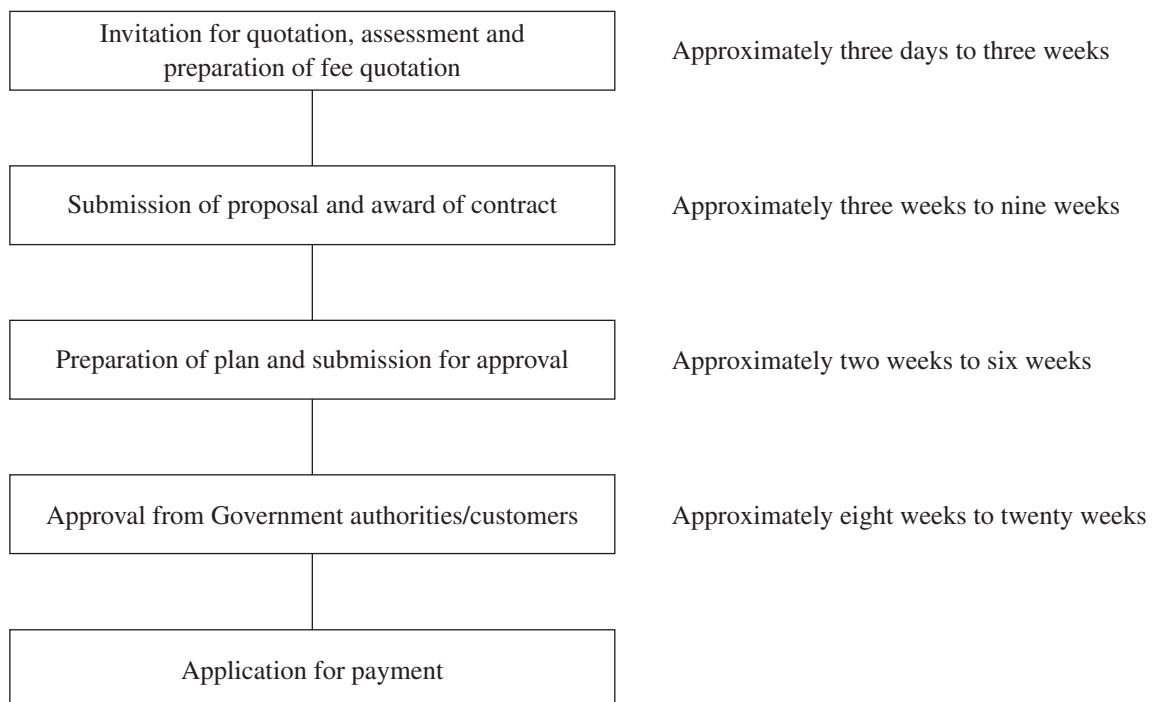
Practical completion, defect liability period and release of retention money

Upon completion of the works under the contract, the customer or its consultant will examine the work done and, subject to the certification that all works are completed to the satisfaction of the customer with major defects and outstanding items duly rectified/provided, issue a certificate of practical completion. Depending on the terms of the contract, a defect liability period which is generally 12 months from the date of the certificate of practical completion is usually provided by the Group. During the defect liability period, the Group is responsible for, at its own expense, rectifying any defects of works carried out 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 as to 50% upon the issue of practical completion certificate and as to the remaining 50% 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.

Consulting service

The following diagram summaries the principal steps of the workflow in a typical transaction in respect of the Group's consulting service:



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Invitation for quotation, assessment and preparation of fee quotation

The Group is mainly invited by its customer (either the landlord/property developer itself or its consultant) to provide a quotation, or is sometime invited to submit a tender, for a potential consulting project. For further details, please refer to the paragraph headed "Sales and marketing" in this section.

Upon receiving an invitation for quotation, and the project manager assigned as the person-in-charge of the project will review the request for quotation with respect to the scope of work, complexity, difficulty, time frame and similar projects completed by the Group before, for the assessment of the project and preparation of the proposal, comprising the project organisation chart, work plan and schedule, and the fee quotation.

The project manager, coordinating the preparation of the proposal, will study the invitation documents and consider any need to engage sub-consultants for completion of the tasks required. The project manager will then consolidate the information to be submitted in the proposal. The Directors will then decide, based on the aforesaid review and assessment, whether to make the tender submission.

The time allowed to submit the proposal is specified by the potential customer and varies from case to case. Generally, it takes about three days to three weeks from receipt of invitation to submission of the proposal.

Submission of proposal and award of contract

Upon receiving the Group's proposal, the potential customer may by way of interviews or enquiries clarify with the Group the particulars of the proposal. The customer may also amend the requirements and/or specifications of the project. The Group may be required to submit revised fee quotation and/or supplementary information in response to the enquiries and amendments of the projects. Besides the adjustment in scope of services, the potential customer may further negotiate with the Group on the commercial terms.

If the customer has decided to engage the Group for the project, the customer will usually award the contract to the Group by signing the proposal, or by issuing a letter of award, and the Group accepts the engagement by signing and returning the original copy of the letter of award to the customer. The letter of award together with the proposal submitted by the Group and any annexations to the letter of award, including the fee quotation and post-quotation submission, constitute a contract between the Group and the customer.

Preparation of plan and submission for approval

Once a contract is awarded, the project manager will form an in-house project team for the project. The project manager will be responsible for the overall management of the project.

The Group's in-house team will, according to the scope of works under the engagement, (i) perform feasibility study, prepare the prescribed plans for building works, and submit the plans to and obtain approval from the Building Authority under Authorized Person services; (ii) prepare the layout design and submit the plans to obtain approval from the corresponding licensing authority under

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licensing services; (iii) provide designing for Building Services and submit the plans to and obtain approval from the relevant Government authorities; and (iv) provide interior design for renovation or fitting-out works that do not require statutory submission to be made by the Group.

For certain Authorized Person services, the Group has to appoint sub-consultants (known as sub-consulting), such as registered structural engineer and/or registered geotechnical engineer to submit the relevant plans and calculation that are required to be submitted by such registered persons, and obtain approval from the relevant Government authorities. The Directors consider that sub-consulting saves the need to employ specialist staff with relevant technical knowledge which are only required for certain building works and allows the Group to dedicate in the designing of plans for building works. The Group has an in-house team of draftsman to prepare technical drawings based on the plans designed by the project team. External draftsman may be appointed depending on the work capacity of its in-house draftsman team. When the plans are ready, the Group will make submission to the relevant Government authorities for approval.

Certain consulting projects only require the Group to provide designs and other consulting services and do not require submission to and obtaining approval from the relevant Government authorities. In these projects, the Group only needs to deliver the required works to the customers for review and acceptance to their satisfaction.

Approval from Government authorities

As an Authorized Person, the Group will liaise with the Government authorities and address any queries raised by them, and may make revised submissions to address the queries and comments raised. The relevant Government authorities will then decide whether to grant approval for the plans submitted.

During the Track Record Period, the number of submissions made to the Building Authority under the Authorized Person services was as follows:

	For the year ended		For the
	31 December		three months
	2013	2014	ended
			31 March
			2015
Submission of plans to Building Authority under Authorized Person services	91	118	26

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During the Track Record Period, the number of approvals obtained for submissions made to the Building Authority under the Authorized Person services was as follows:

	For the year ended		For the
	31 December		three months
	2013	2014	ended
			31 March
			2015
Number of approvals obtained for submissions made to the Building Authority (<i>Note</i>)	91	123	27

Note: Such number of approvals obtained during the year/period include submissions made in the current year/period as well as in the prior years.

Upon obtaining approval on the plans submitted, the Group may, if required in the scope of work under the engagement, continue the Authorized Person’s role in supervising the execution of site works on behalf of the customer in accordance with the approved plans as per statutory requirements until the issuance of occupation permits and acknowledge letters for new developments and alteration or addition works respectively upon completion of building works. For such projects, a defect liability period which is generally 12 months from the date of the certificate of practical completion is usually provided by the Group. During the defect liability period, the Group, as consultant, is responsible for monitoring the contractor’s rectification of any defective works identified.

Application for payment

The Group is entitled to make progress billing to the customer pursuant to the schedule of the contract which is normally linked to milestones of the project, such as completion of the preparation of, submission of and the obtaining of approval on the plans.

LICENCES AND PERMITS

As advised by the Hong Kong Legal Advisers, in respect of the provision of contracting service, the Group is not required to obtain any requisite licences, permits or approval other than the business registration for the execution of the site works, given that the Group subcontracts the site works to subcontractors who hold the requisite licences, permits or approval. In respect of the provision of consulting service where the Group acts as consultant for its customers, while the Group is not required to obtain any requisite licences, permits or approval for advising any plans or designs as consultant, the Group’s Authorized Persons shall be responsible for preparing and submitting plans for approval of Building Authority under the Buildings Ordinance. The Group would further appoint external registered structural engineer, for the structural elements of any building works, and registered geotechnical engineer, for the geotechnical elements of any building works, if so required under Buildings Ordinance.

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

Registration/licences	Governing authority	Holder	Date of first registration/grant	Date of next renewal
Registered general building contractor	Buildings Department	1. Win Lee	23 June 2009 <i>(Note 1)</i>	22 June 2018
		2. FDBL	23 September 2014	5 September 2017
Registered specialist contractor (demolition)	Buildings Department	Win Lee	11 September 2008 <i>(Note 1)</i>	12 September 2017
Registered specialist contractor (site formation)	Buildings Department	Win Lee	5 December 2014	14 November 2017
Authorized Person (Surveyor) <i>(Note 2)</i>	Buildings Department	1. Mr. Ng	7 December 2007	6 December 2017
		2. Mr. Lai	30 March 2015	27 March 2020
Registered electrical contractor	Electrical and Mechanical Services Department	FDBL	25 July 2012	24 July 2018

Note:

- (1) Win Lee was a registered general building contractor and registered specialist contractor (demolition) at the time of the acquisition by Mr. Ng in January 2008, which were subsequently renewed on 23 June 2009 and 11 September 2008 respectively.
- (2) For the avoidance of doubt, Authorized Person and authorised signatory required to act for the registrations of registered general buildings contractor/registered specialist contractor maintained with the Buildings Department are different from each other for the purpose of the applicable laws and regulations. For further details of Authorized Person and authorised signatory, please refer to the paragraph headed “C. Licensing regime” in the section headed “Regulatory overview” in this document.

None of the members of the Group is currently registered as a registered specialist contractor (foundation). As mentioned in the paragraph headed “Business strategies” in this section, the Group intends to make application to the Buildings Department for its registration as a registered specialist contractor (foundation), in order to expand its scope of services of contracting service to include foundation works. As at the Latest Practicable Date, none of the Group’s key employees possessed the required qualifications and experience to act as an authorised signatory and technical director for the registration of registered specialist contractor (foundation).

In order for Win Lee and FDBL to apply for and maintain the aforementioned registrations as a registered general building contractor and registered specialist contractor under the relevant categories, each of Win Lee and FDBL must, pursuant to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, 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

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on the qualifications and experience of such authorised signatory and technical director. Further information in this connection is disclosed in the paragraph headed “C. Licensing regime” in the section headed “Regulatory overview” in this document.

The table below set forth the details of the authorised signatory and technical directors for the Group’s registration of registered general building contractor and registered specialist contractor under the relevant categories during the Track Record Period and up to the Latest Practicable Date:

Registration	Holder	Authorised signatory	Technical director
Registered general building contractor	1. Win Lee	Mr. Li Chi Wa	Mr. Ng
	2. FDBL	Mr. Ho Fuk Kwong	Mr. Lai
Registered specialist contractor (demolition)	Win Lee	Mr. Li Chi Wa	Mr. Ng
Registered specialist contractor (site formation)	Win Lee	Mr. Leung Wai Lun	Mr. Leung Wai Lun

Set out below are the background information of each of the aforesaid authorised signatory and technical directors. Details of Mr. Ng and Mr. Lai are contained in the paragraph headed “Directors” in the section headed “Directors and senior management” in this document.

Mr. Li Chi Wa, (李賜華), aged 53, has been the authorised signatory for Win Lee’s registration of registered general building contractor since October 2009 and for registered specialist contractor (demolition) since April 2010. Mr. Li graduated from The Robert Gordon University in the United Kingdom in June 1993 with a degree of Bachelor of Science in Building Surveying. Mr. Li has been a member of The Hong Kong Institute of Surveyors since June 1998, a member of The Royal Institution of Chartered Surveyors since December 1997 and was registered as a registered professional surveyor with the Surveyors Registration Board in October 2000. Prior to becoming the authorised signatory for Win Lee’s registration of registered general building contractor and registered specialist contractor (demolition), Mr. Li had acted as the authorised signatory for the registration of registered general building contractor of another contractor in Hong Kong since February 2006.

Mr. Ho Fuk Kwong, (何福廣), aged 59, has been approved by the Building Authority to act as the authorised signatory for FDBL’s registration of registered general building contractor in August 2014. Mr. Ho obtained a Diploma in Surveying (Building Surveying) (distant learning) from The College of Estate Management in the United Kingdom in September 1994. Mr. Ho has been a member of The Hong Kong Institute of Surveyors since June 1998 and was registered as a registered professional surveyor with the Surveyors Registration Board in October 1998. Prior to becoming the authorised signatory for FDBL’s registration of registered general building contractor, Mr. Ho had acted as the authorised signatory for the registration of registered general building contractor of other contractors in Hong Kong since July 2004.

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Mr. Leung Wai Lun, (梁惠倫), aged 37, has been approved by the Building Authority to act as both the authorised signatory and technical director for Win Lee's registration of registered specialist contractor (site formation) in November 2014. Mr. Leung has also been appointed as a director of the board of directors of Win Lee since July 2014. Mr. Leung graduated from The Hong Kong University of Science and Technology in November 2001 with a degree of Bachelor of Engineering in Civil and Structural Engineering. Prior to becoming the authorised signatory and technical director for Win Lee's registration of registered specialist contractor (site formation), Mr. Leung had been an engineer specialised in site formation works since March 2006 and had acted as an authorised signatory for the registration of registered specialist contractor (site formation) of another contractor in Hong Kong since May 2010.

To apply for the registration of the registered general building contractor and registered specialist contractor, the required qualifications and experience of the proposed authorised signatory and technical director have to be submitted to the Building Authority for assessment and approval. The renewal of the registration will also require approval from the Building Authority on the authorised signatory and technical director. The Group's applications made during the Track Record Period for the registration/renewal of registered general building contractor and registered specialist contractor under the relevant categories, together with the respective authorised signatory and technical director, had been approved by the Building Authority.

To apply for inclusion in the Authorized Persons' register, an application form together with the relevant support documents including but not limited to those for the required academic and professional qualification, and evidence of practical experience have to be submitted to the Building Authority for assessment and approval. The renewal of the registration will also require approval from the Building Authority. Mr. Ng has successfully applied for renewal of the registration in the Authorized Persons' register in 2012. During the Track Record Period, the application of Mr. Lai's inclusion in the Authorized Persons' register had been approved by the Building Authority. As at the Latest Practicable Date, the status of both Mr. Ng and Mr. Lai as Authorized Persons were still valid and not expired.

As advised by the Hong Kong Legal Advisers, and the Sponsor concurs that, based on the foregoing, (i) the registrations and qualifications of the Group's Authorized Persons, and the registrations of registered general building contractor and registered specialist contractor under the relevant categories (including the respective authorised signatories and technical directors and their qualifications) held by the Group comply with the relevant laws and regulations; and (ii) the Group has complied with all the applicable laws and regulations with respect to retaining qualified authorised signatory and technical director for maintaining the registrations as a registered general building contractor and registered specialist contractors under the relevant categories during the Track Record Period and up to the Latest Practicable Date.

For carrying out site works regulated by the Building Authority, the Authorised Person for the relevant project, as the coordinator, has to submit to the Building Authority (i) not less than seven days before the commencement of works, the notice of appointment of registered contractor, notice of commencement of the site works and undertaking by registered contractor (as endorsed by the authorised person and the Group, its main contractors or its subcontractors (as the case may be), as the registered contractor), for the purpose of, among other things, undertaking to carry out the works in strict compliance with the provisions of the Buildings Ordinance and the relevant regulations; (ii) not less than seven days before the commencement of works, the notification to the Building Authority of the

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appointment of the technically competent person together with the supervision plan as endorsed by each of the Authorised Person, the registered contractor, and registered structural engineer or registered geotechnical engineer (if any) for the site works where supervision plans are required; and (iii) within seven days of the completion of works, the certificate of completion of the site works as endorsed by each of the Authorised Person, the registered contractor, and registered structural engineer or registered geotechnical engineer (if any), with the required supporting documents, which may include design review report, monitoring record and supervision report, for the purpose of, among other things, certifying that the relevant site works have been carried out in accordance with the provisions of the Buildings Ordinance and the relevant regulations. If the Building Authority has no objections to the completed works stated in the certificate of completion, the Building Authority may issue a letter to the relevant parties acknowledging the completion of the site works. As advised by the Hong Kong Legal Advisers, the Group had complied with the aforesaid requirements as laid down by the Building Authority in carrying out the site works during the Track Record Period and up to the Latest Practicable Date.

As advised by the Hong Kong Legal Advisers, save as disclosed in the paragraph headed "Non-compliance" in this section, the Group has been operating in compliance with all the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

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

- (i) as advised by Hong Kong Legal Advisers, in respect of the provision of contracting service, the Group is not required to obtain any requisite licences, permits or approval other than the business registration. As such, the Group may consider subcontracting the site works to subcontractors who hold the requisite licences, permits or approval as and when appropriate, and the Group generally maintains multiple suppliers for services to avoid over-reliance on a few suppliers and did not experience any material difficulties in finding subcontractors during the Track Record Period. For instance, the Group does not hold the registration of registered specialist contractor (foundation), and during the Track Record Period, the Group has undertaken two contracting projects relating to foundation works which contributed revenue of nil, approximately HK\$26.4 million and HK\$7.8 million, representing nil, approximately 13.2% and 20.8% of the respective revenue of the Group for the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively, where the Group engaged subcontractors with the registration of registered specialist contractor (foundation) to carry out the works;
- (ii) the Group holds the registrations of registered general building contractor through Win Lee and FDBL with the Buildings Department, which is the primary registration required for carrying out alteration and addition works, where each of the authorised signatories and the technical directors for such registrations are taken up by different persons. In the event that either Win Lee or FDBL is unable to act as a registered general building contractor due to the absence of authorised signatory or technical director, the other subsidiary with the valid registration will undertake the relevant contracting project;

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- (iii) Mr. Chung Yuk Ming, Christopher and Mr. Ip Kong Ling, each being a member of the Group's senior management, applied to the Building Authority to act as an authorised signatory for the registration of registered general building contractor of FDBL on 25 March 2015 and 10 June 2015 respectively. Enquiries have been made to the Buildings Department with respect to the status of the aforesaid applications. With respect to the application of Mr. Chung Yuk Ming, Christopher, an interview between the Buildings Department and Mr. Chung Yuk Ming, Christopher was held on 20 August 2015, and based on the enquiry, an approval would generally be granted for the application within three months from the date of the interview, i.e. by November 2015, subject to the result of the interview. With respect to the application of Mr. Ip Kong Ling, based on the enquiry, an interview between the Buildings Department and Mr. Ip Kong Ling will be held on or before 29 October 2015. Subject to the result of the interview, an approval would generally be granted for the application within three months from the date of the interview. To the best knowledge of the Directors, the process time of such applications generally range from eight months to a year. The aforesaid applications are for the purpose of having additional authorised signatory on top of the existing authorised signatory for the registration of registered general building contractor. As advised by the Hong Kong Legal Advisers, apart from the requirement that a technical director must be a director from the board of directors of the registered contractor, each of Mr. Chung Yuk Ming, Christopher and Mr. Ip Kong Ling is eligible to be a technical director for the registration of registered general building contractor. The Group may consider applying to the Building Authority for appointing Mr. Chung Yuk Ming, Christopher / Mr. Ip Kong Ling as a technical director (with them being appointed as the directors of the board of directors of the respective subsidiary of the Company) as and when necessary; and
- (iv) With respect to the registrations of registered specialist contractor (demolition) and registered specialist contractor (site formation), (i) revenue generated from the two contracting projects relating to demolition undertaken by the Group during the Track Record Period were approximately HK\$2.2 million, HK\$2.5 million and HK\$2.9 million, representing approximately 1.1%, 1.2% and 7.7% of the respective revenue of the Group for the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively; and (ii) no revenue was generated from works relating to site formation during the Track Record Period. Therefore, the Directors consider that the Group's reliance on the registrations of registered specialist contractor under the relevant categories is low.

Under the agreement entered into between the Group and each of Mr. Ng, Mr. Lai, Mr. Ho Fuk Kwong, Mr. Li Chi Wa and Mr. Leung Wai Lun for the purpose of acting as the authorised signatory/technical director (as the case may be) in August 2015, August 2015, September 2014, May 2015 and May 2015 respectively, one party is required to serve a three months' prior written notice (or payment in lieu of notice) to the other party before terminating the agreement and such person ceasing to act as authorised signatory/technical director, for a duration of three years from the respective agreement date. The Directors consider that the three months' prior written notice required for the termination of the aforesaid agreements entered with each of the authorised signatories and technical directors would allow time for the Group to identify and appoint suitable replacement in case of resignation of any of them. With respect to authorised signatory, according to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, for a registered contractor with only one authorised signatory, if that authorised signatory ceases to act for the contractor due to some unexpected reasons including, but not limited to, resignation without adequate prior notice, the registered contractor may apply for fast-

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track processing of the application for approval for an additional authorised signatory pursuant to the conditions set out under the practice note. If the Contractors Registration Committees (“CRC”), which is responsible for assessing the application, considers that the submitted application documents are adequate and no clarification with the proposed authorised signatory is required, the authorised signatory will not be required to attend an interview by the CRC and in such cases, the Building Authority, according to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, will normally issue the result letter within seven working days from the date of receipt of the application. In view of the foregoing, the Directors consider that in the event that the Group loses its authorised signatory, technical director or Authorized Person, the Group will be able to hire a suitable replacement as there are a number of candidates in the job market whose experience and qualifications are fit for the position of authorised signatory, technical director or Authorized Person. As confirmed by the Directors, during the Track Record Period, the Group did not encounter any difficulty in identifying and appointing suitable candidates for the authorised signatories and technical directors for its registrations. Please refer to the paragraph headed “Risks relating to the Group’s business” in the section headed “Risk factors” in this document with respect to the risk factor of the Group’s competitiveness may be impaired and performance could be adversely affected in the event that the Group fails to identify suitable replacements for authorised signatories, technical directors or Authorized Person in a timely manner at reasonable cost.

To ensure that the Group is able to timely obtain and maintain all necessary registrations/licences for its operations in Hong Kong, Mr. Lai and Mr. Chung Yuk Ming, Christopher, an executive Director and a member of the Group’s senior management respectively, are responsible for keeping track of the validity periods of the registrations/licences maintained and/or held by the Group and qualifications of the Group’s Authorized Person/authorised signatory/technical director and arranging renewal when necessary in a timely manner. The Group has successfully renewed all of its registrations maintained with the Buildings Department since after the acquisition of Win Lee by Mr. Ng in January 2008. The Group also received confirmation letters from the Buildings Department upon the renewals, approving the registration, authorised signatory and technical director. The Hong Kong Legal Advisers advised that it does not foresee any material legal impediment in the renewal of the aforesaid registrations.

CUSTOMERS

Characteristics of the Group’s customers

For contracting service, customers mainly include landlord/property developer and main contractor who subcontract all or part of the building works to other contractors, such as the Group, for two main categories of contracting services (i) alteration and addition works and maintenance including renovation of residential, commercial (e.g. office and hotel) and institutional properties (e.g. hospital and school), shops, and new development; and (ii) specialist works including demolition, building works for house, façade and signage, and fitting-out works for restaurants and shops. The Directors believe that customers may choose to engage the Group in a contracting projects for its capability to provide one-stop integrated services from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance, and to offer value-adding services such as providing advices on designs.

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For consulting service, customers mainly include, (i) for Authorized Person services, landlord/property developer and main contractor; and (ii) for licensing services, business operators of restaurants, food and beverage outlet, food factories, etc. who require licensing for their business premises with layout design complied with the applicable laws and regulations. The aforesaid customers of the Group may require the Group to provide building services design and/or architectural design in a consulting project. The Directors believe that customers may choose to engage the Group in a consulting projects for its knowledge in the laws and regulations governing buildings in Hong Kong as well as the statutory requirements and administration procedures for making submission of plans, and experience in liaising with Government authorities for obtaining approval for submitted plans.

During the Track Record Period, the Group has offered in four projects both consulting and contracting services for the same project, with alteration and addition works carried out pursuant to the plans designed by the Group which have been submitted to and approved by the relevant Government authorities.

During the Track Record Period, the Group predominantly served customers from the private sector in Hong Kong. Customers from the private sector accounted for over 98% of the Group's revenue for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015.

Top customers

For each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the percentage of revenue contributed by the largest customer amounted to approximately 30.5%, 18.8% and 22.6%, respectively, while the percentage of revenue contributed by the five largest customers combined amounted to approximately 59.8%, 59.5% and 58.1%, respectively.

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

For the year ended 31 December 2013:

Rank	Customer	Revenue <i>HK\$'000</i>	As % of total revenue %
1	Customer A	58,502	30.5
2	Customer B	16,355	8.5
3	Customer C	16,004	8.3
4	Customer D	14,153	7.4
5	Customer E	<u>9,738</u>	<u>5.1</u>
	Five largest customers combined	114,752	59.8
	All other customers	<u>77,209</u>	<u>40.2</u>
	Total revenue	<u><u>191,961</u></u>	<u><u>100.0</u></u>

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For the year ended 31 December 2014:

Rank	Customer	Revenue <i>HK\$'000</i>	As % of total revenue %
1	Customer A	37,493	18.8
2	Wang Fu	30,971	15.5
3	Sinociti	24,084	12.1
4	Customer E	13,208	6.6
5	Customer F	<u>12,998</u>	<u>6.5</u>
	Five largest customers combined	118,754	59.5
	All other customers	<u>80,800</u>	<u>40.5</u>
	Total revenue	<u><u>199,554</u></u>	<u><u>100.0</u></u>

For the three months ended 31 March 2015:

Rank	Customer	Revenue <i>HK\$'000</i>	As % of total revenue %
1	Customer F	8,444	22.6
2	Wang Fu	4,695	12.5
3	Ever Nice	3,372	9.0
4	Customer C	2,870	7.7
5	Customer G	<u>2,359</u>	<u>6.3</u>
	Five largest customers combined	21,740	58.1
	All other customers	<u>15,693</u>	<u>41.9</u>
	Total revenue	<u><u>37,433</u></u>	<u><u>100.0</u></u>

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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	Business	Location	Years of business relationship
Customer A	Contracting & consulting work	Construction company	Hong Kong	5
Customer B <i>(Note)</i>	Contracting work	Construction company	Hong Kong	2
Customer C	Contracting work	Educational institution	Hong Kong	5
Customer D	Contracting work	Banking group	Hong Kong	2.5
Customer E	Contracting work	Property investment fund	Hong Kong	2.5
Wang Fu	Contracting & consulting work	Construction company	Hong Kong	5.5
Sinociti	Contracting work	Investment holding company	Hong Kong	2.5
Customer F	Contracting work	Investment holding company	Hong Kong	1.5
Ever Nice	Contracting work	Investment holding company	Hong Kong	0.5
Customer G	Contracting work	Construction company	Hong Kong	1.5

Note: Customer B is a joint-venture owned by Customer A and another Independent Third Party, which is a construction company in Hong Kong.

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.

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A supplier of the Group, which is a sub-consultant to the Group’s consulting service during the Track Record Period (“**Supplier L**”), is a related company of Customer A. Particular financial details of the business relationship with Customer A and Supplier L during the Track Record Period are as follows:

	For the year ended		For the
	31 December		three months
	2013	2014	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	31 March
			2015
			<i>HK\$'000</i>
<i>Customer A</i>			
Revenue recognised during the relevant year/period	58,502	37,493	1,688
<i>Supplier L</i>			
Sub-consulting fee incurred during the relevant year/period	1,540	50	—

To the best of the Directors’ knowledge and belief, each of Customer A and Supplier L is an Independent Third Party. During the Track Record Period, the Group did not engage Supplier L in its projects providing contracting service to Customer A.

Save as disclosed above, 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.

Customer concentration

The Group’s top five customers accounted for approximately 59.8%, 59.5% and 58.1% of its total revenue for each of the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, respectively, while approximately 30.5%, 18.8% and 22.6% of the Group’s total revenue were attributable to its largest customer for each of the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015 respectively. Despite the aforesaid figures during the Track Record Period exhibit customer concentration, the Directors consider that the Group is not reliant on any single customer because:

- (i) among the top customers, only five out of ten such customers were the Group’s top five customers for more than one year, while the Group has had business relationship with such top customers for over one year to over five years (save for Ever Nice which is a new customer of the Group), implying that the Group is not reliant on any single customer or a small group of customers; and
- (ii) in general, for the Group’s contracting service, contract value is relatively large with lower profit margin, while for consulting service, contract value is relatively small with higher profit margin. It is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute to a substantial amount of the Group’s revenue. In fact, for each of the two years ended 31 December 2013 and 2014 and for the

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three months ended 31 March 2015, the number of contracting projects with revenue contribution were 38, 54 and 19, respectively while the number of consulting projects with revenue contribution were 199, 259 and 74, respectively.

Pricing strategies

Contracting projects are in general labour intensive and labour cost is one of the components of the project costs. Most of the pricing of the Group's contracting services are fixed in the terms of the contract. Pricing for either contracting service or consulting service is carefully determined by the Group on a case-by-case basis taking into account various factors:

For the pricing of a contracting project or consulting project, factors considered include (i) the complexity of site works or design work involved (as the case may be); (ii) the estimated amount of time and materials required and personnel to be involved; (iii) the payment term specified in the invitation documents, (iv) reference price of similar projects completed by the Group before; and (v) any risk leading to extension of service period or additional manpower.

Any material deviation of the actual time and resources spent from initial estimation may result in cost overruns which may in turn adversely affect the financial results of the Group.

The Group has adopted the following measures since 2012 to manage the risk of cost overruns:

- (i) a cost plan is prepared for each project which sets out the cost target. Such cost plan is agreed between the project manager and the quantity surveyor of the Company. Execution of the project, including subletting, is carried out in accordance with the cost plan; and
- (ii) actual expenses incurred and cash flow status is monitored by the project team in an ongoing basis. Actual expenses incurred in the project is reported by the project team to the Directors and the senior management and the finance department. Revisions to cost plan, which requires approval from Mr. Chung Yuk Ming, Christopher, the project director of the Group who is principally responsible for organisation, management and supervision of the Group's contracting project, and/or one of the Directors, may be made in order to control the cost target of the project. To approve the revisions to cost plan, such revisions shall also (i) identify the causes of the increase in cost of the project; and (ii) set out the measures to be taken to control the cost of the project. Causes of increase in cost of a project may include, among others, revision of project schedule by the customer, or delay in the work progress of subcontractors. Measures to be taken may include, as the case may be, requesting additional fees from the customer in order to cover the additional costs incurred due to revision of project schedule, or closely supervising and reminding the subcontractors to catch up with the work progress in accordance with the project schedule.

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General terms of engagement with customers

The following paragraphs set forth the general terms of engagement with customers in respect of each of the contracting service and consulting service.

Contracting service

(i) Nature and scope of work

The nature of work specifies the types of site works to be carried out and the scope of work specifies the areas/facilities that require such site 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, is stated.

(iii) Payment terms

The total contract sum awarded is clearly stated which is generally a fixed amount without any clause for price adjustment mechanism. 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. The application is subject to examination by the customer or its consultant appointed by the customer 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 seven to 45 days. The Group then proceeds to invoice the customer with the supporting of the certificate.

Some engagements of contracting services during the Track Record Period also contained the following terms:

(iv) Termination

Some engagement for contracting projects contains the rights to terminate by both parties to the engagement.

Conditions upon which the engagement may be terminated by the customer may include (i) the Group suspends the carrying out of the works before completion without reasonable cause; (ii) the Group fails to proceed regularly and diligently with the works; and (iii) the winding-up of the Group having taken place.

Conditions upon which the engagement may be terminated by the Group generally may include (i) the customer suspends the carrying out of the works for a specified period; (ii) the customer becomes bankrupt, making a composition or arrangement with its creditors, or winding-up of the customer having taken place.

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(v) *Retention monies*

A certain percentage of each fee payment made to the Group, usually at the rate between 5% to 10%, with total retention monies withheld capped at 5% of total contract sum, may be withheld by some customers as retention money and will be generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% 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. As at 31 December 2013, 31 December 2014 and 31 March 2015, retention monies receivable were approximately HK\$3.8 million, HK\$8.4 million and HK\$8.2 million respectively.

(vi) *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 defective works provided by the Group.

(vii) *Surety bonds*

For contracting project, some customers may require the Group to provide a surety bond issued by a bank or insurance company in favour of them in addition to the retention monies. Surety bonds may be required by customers to safeguard the due performance of the contract by the Group. While retention monies are generally released in full at the end of the defect liability period to ensure the due performance of the Group under the contract until the end of the defect liability period, under the surety bond, if the contractor fails to perform the contract according to the terms therein, the customer is guaranteed compensation for any monetary loss up to the amount of the surety bond. During the Track Record Period, the required amounts of surety bonds are generally between 10% and 15% of the respective contract sum.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the amount of surety bonds provided by the Group were approximately HK\$1.4 million, HK\$1.8 million and HK\$3.7 million, respectively, which were arisen from one, two and four contracting projects with aggregate contract sum of approximately HK\$13.8 million, HK\$17.7 million and HK\$35.4 million, respectively. During the Track Record Period, a total of four customers of the Group required the Group to provide surety bonds. One customer, two customers and four customers of the Group required the issuance of surety bonds for the two years ended 31 December 2014 and for the three months ended 31 March 2015, respectively. The surety bonds provided by the Group for four contracting projects with aggregate contract sum of approximately HK\$35.4 million for the three months ended 31 March 2015 comprised (i) surety bonds provided for the two contracting projects with aggregate contract sum of approximately HK\$17.7 million undertaken during the year ended 31 December 2014 which remained ongoing as at 31 March 2015; and (ii) surety bonds provided for two new contracting projects with aggregate contract sum of approximately HK\$17.7 million undertaken during the three months ended 31 March 2015 and remained ongoing as at 31 March 2015. During the Track Record Period, the Group was not required to make any compensation payments under the surety bonds due to its failure to perform any contracts in accordance with the terms therein.

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(viii) Liquidated damage

Certain contracts include a liquidated damage clause stipulating that if the Group fails to complete the work set out in the contracts within the agreed timeframe while not being approved for any extension of time and/or cause unnecessary delay to project completion that result in damages suffered by the customer, the Group shall compensate the customer for part 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.

Consulting service

(i) Nature and scope of work

The scope of work sets out the details of the services to be performed for specified areas/facilities, which generally includes the preparation of various of types of plans/designs, the submission and obtaining of approval from the relevant Government authorities for such plans/designs and, if required, the supervision of the site works as per statutory requirements based on the approved plans.

(ii) Duration of work

The duration of work sets out the time allowed to complete each stages of works (except for obtaining approval from Government authorities), which generally include performance of feasibility study, preparation of plans, and submission of plans to Government authorities for approval, contract administration, certification and report on work completion to Government authorities.

(iii) Payment terms

The total contract sum awarded is clearly stated which is generally a fixed amount. The Group is entitled to make progress billing to the customer pursuant to the schedule of the contract which is normally linked to milestones of the project, such as completion of the preparation of, submission of and the obtaining of approval on the plans.

(iv) Termination

Engagement for consulting projects generally contains the rights to terminate by both parties thereto. In general, either party may terminate by giving the other party written notice according to notice period stipulated in the relevant contract. In some engagements, the customer may be required to pay the Group for the services performed up to the effective date of termination/suspension if the engagement was terminated/suspended by the customer.

During the Track Record Period, all fees were settled in Hong Kong dollars and most of them were settled by cheques or bank transfer.

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Advances from main contractors in contracting projects

Certain engagements in respect of contracting service contain a provision of advances, pursuant to which the Group may obtain advances from the customer, as main contractor, during the project duration under the engagement. Such advances are generally subject to an interest rate of up to P+3%, where P is the Hong Kong Dollar Prime Rate effective from time to time. Such advances offers financial flexibility in the executing the works under the engagement. In obtaining advances from customers for financing the relevant projects which the Directors consider as an industry norm, the Group has taken into account that unlike the Group's bank borrowings that require security and/or personal guarantee, such advances from customers are unsecured and can be obtained in a timely manner by applying to the customer pursuant to the terms of the contract, in contrast to the administrative procedures as required by bank for obtaining borrowings. As at 31 December 2013, 31 December 2014 and 31 March 2015, advances from customers (with any interests accrued thereon) were approximately HK\$15.1 million, HK\$14.4 million and HK\$20.1 million, respectively.

Term contract

For both contracting and consulting service, some customers entered into term contract with the Group during the Track Record Period. A term contract assembles a framework contract which generally contains scope of services, delivery time of each service, and service rate, maximum contract sum and payment terms. For term contract of contracting service, certain terms such as maximum contract sum and delivery time of each service may not be contained in the term contract, and are to be contained in purchase orders to be placed by the customer. During the duration of the term contract, the customer may place order(s) for contracting/consulting services for the relevant properties/premises pursuant to the terms of term contract. The customer is not obligated to place orders under the term contract during the duration of the term contract. For some term contracts in force during the Track Record Period, the customer is not restricted from placing orders with other service provider. The entering into of a term contract saves the need to go through the tendering process and negotiate on the terms of engagement when the services are subsequently required by the customer.

For the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, revenue generated from contracting projects under term contracts were approximately HK\$30.8 million, HK\$31.3 million and HK\$0.1 million respectively, representing approximately 19.0%, 19.8% and 0.5% of the total revenue from contracting service for the respective year/period. For the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, revenue generated from consulting projects under term contracts were approximately HK\$6.8 million, HK\$12.0 million and HK\$3.0 million respectively, representing approximately 22.9%, 29.0% and 35.4% of the total revenue from consulting service for the respective year/period.

Variation orders

The Group may accept customers' requests for variation in the scope of work during the course of the performance of the works under the engagement, subject to agreement between the Group and the customer on the fee (as the case may be) with respect to such variation orders. The rates for the works under such variation orders are in general to be agreed upon between the Group and the customers with reference to the schedule of rates as provided in the relevant contract or as may be agreed between the Group's customers and the Group based on the quotation provided by the Group for such variation orders.

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For the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, the Group recorded revenue attributable to variation orders of approximately HK\$13.7 million, HK\$6.8 million and HK\$0.4 million, respectively.

Credit policy

In general, the Group does not allow any credit period to its customers from contracting service and allows average credit period ranging from 14 to 45 days to its customers from consulting service. Long-overdue payments, based on the credit terms of the respective invoices, 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.

For the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, the average trade receivable turnover days were approximately 69 days, 74 days and 79 days, respectively.

Seasonality

The Directors believe that the number of projects in the first quarter is relatively lower than that of the other quarters of the year in Hong Kong due to the Chinese New Year.

SUPPLIERS AND SUBCONTRACTORS

Characteristics of the Group's suppliers

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 under contracting service;
- (ii) material suppliers to supply materials used in the site works under contracting service;
- (iii) suppliers of other miscellaneous goods and services required for its business operations.

The Group did not experience any shortage of suppliers of goods and services during the Track Record Period.

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The following table sets forth a breakdown of the Group’s cost of services during the Track Record Period by nature:

	For the year ended		For the three months	
	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>
			(unaudited)	
Subcontracting charges	109,169	105,476	18,456	17,656
Direct labour costs	27,769	31,465	7,835	7,676
Subconsulting charges	6,844	7,235	1,323	1,624
Material costs	7,820	6,306	824	1,435
Others	<u>11,015</u>	<u>10,008</u>	<u>2,888</u>	<u>1,592</u>
	<u>162,617</u>	<u>160,490</u>	<u>31,326</u>	<u>29,983</u>

As noted from the table above, subcontracting charges paid to subcontractors represents the largest component of the Group’s cost of services for each year/period during the Track Record Period. Please refer to the section “Consolidated statements of profit or loss and other comprehensive income — Cost of services” in the section headed “Financial information” in this document for a discussion of the fluctuation in cost of services 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 months ended 31 March 2015, the percentage of cost of services attributable to the largest supplier amounted to approximately 6.7%, 10.6% and 9.4%, respectively, while the percentage of cost of services attributable to the five largest suppliers combined amounted to approximately 30.1%, 34.2% and 32.6%, respectively. Accordingly, the Directors consider that during the Track Record Period, the Group was not dependent on any single supplier.

All of the five largest suppliers for each year/period during the Track Record Period (save for Supplier K which is a sub-consultant to the Group’s consulting service) are subcontractors engaged by the Group to perform the site works under contracting service.

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Set out below is a breakdown of the Group's cost of services (excluding direct labour and associated costs) by major suppliers:

For the year ended 31 December 2013:

Rank	Supplier	Purchase <i>HK\$'000</i>	As % of cost of services %
1	Supplier A	8,447	6.7
2	Supplier B	8,315	6.6
3	Supplier C	8,220	6.5
4	Supplier D	6,794	5.4
5	Supplier E	<u>6,172</u>	<u>4.9</u>
	Five largest suppliers combined	37,948	30.1
	All other suppliers	<u>88,589</u>	<u>69.9</u>
	Total purchases	<u><u>126,537</u></u>	<u><u>100.0</u></u>

For the year ended 31 December 2014:

Rank	Supplier	Purchase <i>HK\$'000</i>	As % of cost of services %
1	Supplier C	13,018	10.6
2	Supplier F	11,633	9.4
3	Supplier G	8,544	6.9
4	Supplier H	5,466	4.4
5	Supplier I	<u>3,604</u>	<u>2.9</u>
	Five largest suppliers combined	42,265	34.2
	All other suppliers	<u>80,957</u>	<u>65.8</u>
	Total purchases	<u><u>123,222</u></u>	<u><u>100.0</u></u>

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For the three months ended 31 March 2015:

Rank	Supplier	Purchase HK\$'000	As % of cost of services %
1	Supplier G	2,000	9.4
2	Supplier C	1,786	8.4
3	Supplier J	1,256	5.9
4	Supplier H	1,045	4.9
5	Supplier K	<u>849</u>	<u>4.0</u>
Five largest suppliers combined		6,936	32.6
All other suppliers		<u>14,297</u>	<u>67.4</u>
Total purchases		<u><u>21,233</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.

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

Supplier	Types of suppliers	Services provided to the Group	Principal business	Location	Years of business relationship
Supplier A	Subcontractor	Alteration and addition works	Provision of construction works	Hong Kong	3
Supplier B	Subcontractor	Alteration and addition works	Provision of construction works	Hong Kong	4
Supplier C	Subcontractor	Alteration and addition works	Provision of building demolition	Hong Kong	5
Supplier D	Subcontractor	Alteration and addition works	Provision of engineering work	Hong Kong	3
Supplier E	Subcontractor	Alteration and addition works	Provision of metal work	Hong Kong	4
Supplier F	Subcontractor	Alteration and addition works	Provision of foundation work	Hong Kong	5.5
Supplier G	Subcontractor	Alteration and addition works	Provision of foundation work	Hong Kong	4

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Supplier	Types of suppliers	Services provided to the Group	Principal business	Location	Years of business relationship
Supplier H	Subcontractor	Alteration and addition works	Provision of electrical and mechanical engineering service	Hong Kong	1
Supplier I	Subcontractor	Alteration and addition works	Provision of electrical and mechanical engineering service	Hong Kong	1
Supplier J	Subcontractor	Alteration and addition works	Provision of interior fitting-out and renovation	Hong Kong	0.5
Supplier K	Sub-consultant	Consulting services	Provision of registered structural engineer’s consulting service	Hong Kong	3

Types of workers involved in the Group’s site works include workers for concrete work, brickwork and steelwork and welder. The Group generally maintains multiple suppliers for services and products to avoid over-reliance on a few suppliers and did not experience any material difficulties in sourcing materials or finding 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 during the Track Record Period.

During the Track Record Period, all purchases were settled in Hong Kong dollars and most of them were settled by cheques. Credit terms offered by the Group’s suppliers 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. For the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, the trade payable turnover days was approximately 54 days, 54 days and 55 days respectively.

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General terms of engagement with suppliers

Subcontracting agreements with subcontractors

The Group does not enter into long term agreements with its subcontractors and generally only enter into subcontracting agreement on a project basis, which generally contains terms such as scope of work, duration of work, contract sum, payment terms, defect liability period and retention monies. In some cases, the Group enters into purchase orders with subcontractors which clearly states the total purchase amount, scope of work and payment terms.

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, which clearly states the total purchase amount with unit price.

Consultancy agreements with sub-consultants

The Group does not enter into long term agreements with sub-consultants and will only enter into consultancy agreement on a project basis. During the Track Record Period, the Group engaged sub-consultants, being registered structural engineer and registered geotechnical engineer to submit the relevant plans and calculation that are required to be submitted by such registered persons, and obtain approval from the relevant Government authorities. The terms of the consultancy engagement include the scope of services, setting out the details of the technical advice and services to be provided, and the payment terms.

Criteria for selecting subcontractors and suppliers

Lists of approved subcontractors and suppliers

The Group maintains a approved list of more than 200 subcontractors and material suppliers which is updated on a continuous basis and reviewed annually at year end. Based on the performance during the period under review, including quality of works, time management and compliance with the contract requirements, as well as the past compliance records with the relevant laws and regulations in its operating history, including but limited to compliance with safety and environmental requirements, subcontractors and suppliers in the list are either retained, or removed. The lists are shared among all project team members in the Group and are centrally maintained.

Subletting procedure

Subletting is proceeded in accordance with the cost planning of the respective project. The project manager of a project decides, and oversees the execution of, the subletting strategy based on the cost plan.

The quantity surveyor then executes the subletting strategy and seek quotations from the list of approved subcontractors, based on their relevant skillsets and experience, subject to their availability and fee quotations, as well as the cost plan and the project time frame. The project quantity surveyor then analyses and selects the suitable subcontractor based on the information provided by the possible

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subcontractors and finalises the fee with the suitable subcontractor based on the fee quotation it provided. The project manager will oversee the process and review the suitability of the subcontractors selected.

The terms and conditions of the subletting documents compiled by the assigned project coordinator include, but not limited to, the scope of work and specifications. The project manager and the project quantity surveyor will ensure that such terms and conditions are clear and unambiguous.

Control on subcontractors

In a contracting project, the Group sends its own personnel to the work site 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 design 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 designs;
- perform regular on-site inspection by the project manager and site personnel to ensure compliance by the subcontractors with the designs; and
- debrief the subcontractors on a weekly basis and hold weekly meeting by the project management team to review the work progress.

In addition, the Group supplies its subcontractors with its safety manual on workplace safety and organises relevant safety training. The Group explains its 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 paragraph headed "Occupational health and safety" in this section.

Materials

Materials are sourced by the Group and/or its subcontractors depending on the nature and requirements of the project. Common materials used in the Group's contracting projects include bricks, concrete blocks, cement, aggregate, sands and steel. Materials may be sourced by subcontractors if (i) it is cost-effective for such materials to be provided by the subcontractors directly; and/or (ii) there is open market rates for such materials. The costs of such material as provided by the subcontractors are included in the subcontracting charges.

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 alteration and addition works are carried out for direct utilisation. During the Track Record Period, the Group carries no inventories of materials.

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SALES AND MARKETING

During the Track Record Period, all of the Group’s new businesses were obtained through direct invitation for tender or quotation by customers, which is considered by the Directors to be attributable to its track records, relevant experiences and professional reputation in the alteration and addition contracting and consulting industry in Hong Kong. During the Track Record Period, the Directors and senior management of the Group have proactively solicit businesses by making presentations to potential customers with respect to their property portfolio and it is believed that such effort has resulted in invitation for quotation.

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
	31 December	2014	three months
	2013	2014	ended
	2013	2014	31 March
	2013	2014	2015
Success rate <i>(Note)</i>			
Contracting service	18%	28%	14%
Consulting service	29%	44%	37%
Contracting and consulting services	26%	40%	32%

Note: Success rate is calculated as to the number of projects with engagement confirmed during the year/period divided by the number of tenders and quotations sent to customers during the respective year/period.

HEDGING

During the Track Record Period, most of the Group’s transactions were denominated in HKD. The Directors consider that the Group’s exposure to exchange into risk is minimal and therefore, the Group did not enter into any foreign currency hedging contract.

QUALITY CONTROL

Quality control on design and build projects

Win Lee, the Group’s main operating subsidiary carrying on its contracting service, obtained ISO 9001:2008 certification on 1 May 2010 (expiring on 1 May 2016).

FDBL, the Group’s main operating subsidiary carrying on its consulting service, obtained ISO 9001:2008 certification on 20 March 2010 (expiring on 20 March 2016).

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ISO 9001 is standard for quality management system which helps establish documents to maintain an effective and economic quality system of a business. The application for ISO 9001 certification was initiated by the Group. The criteria and requirements for obtaining ISO 9001 certification include, among others:

- developing and implementing a quality management manual which is consistent with the spirit of the ISO 9001 standard and suits the Group’s businesses. The Group needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements; and
- engaging a certification body accredited by the Hong Kong Accreditation Service under Innovation and Technology Commission of the Government to review the implementation of the quality assurance manual to its satisfaction.

The contracting business of the Group is operated under a set of procedures that complies with the ISO 9001:2008 quality standards. Each contracting 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. Ng and Mr. Lai, both being executive Directors. For details of their biographical information, please refer to the paragraph headed “Directors” in the section headed “Directors and senior management” in this document.

For the Group’s quality control measures over subcontractors, please refer to the paragraph headed “Suppliers and subcontractors — Control on subcontractors” in this section.

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 has established a set of safety policies that are required to be followed by employees of the Group and its subcontractors, which sets out, among others:

- list of principal statutory health and safety requirements to be observed during the execution of site works;
- risk assessment scheme to identify potential hazards with ratings and list of potential consequences as well as suggested measures to control the risks identified;
- list of general site safety measures such as requirements on site environment and the provision of safety equipment for workers;

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- guidelines for housekeeping, worker training and communication; and
- emergency procedures.

For each contracting project, the Group will provide induction training to all site workers, including both the direct workers of the Group and the Group's subcontractors, on the Group's safety policies, the Group's safety organisation chart, general safety rules and safety measures for specific jobs and high risk activities. Such safety rules include:

- all personnel must wear and display their site passes at all times when they are on site;
- security guards have the rights to check all handbags or tool boxes entering or departing from site;
- staff must wear relevant safety equipment when performing certain tasks; and
- staff are required to observe the occupational health and safety measures and policy established for the relevant work site.

The Group has also employed a full-time safety officer in order to ensure the compliance of proper safety procedures by its staff and subcontractors in all work sites of the Group.

Procedures for handling employee injuries and accidents at work

Injuries are not rare 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 agreements with the Group customers and/or 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 maintains an internal record of accidents.

The Group's administrative department is responsible for recording details of the claims and handling claims for accidents and injuries in relation to the Group's projects. It is also responsible for liaising with the relevant insurance company, the claimant and in the cases of more serious claims as considered appropriate by the management of the Group, obtaining advice from external legal advisers. To ensure proper recording and handling of such claims, the Group has established the following general procedure:

- (i) The project manager will be notified of the incident immediately. The project team will assign members to the site for assessment and carry out necessary follow-up measures. The relevant government authorities will be notified for assistance at the site when necessary. The Group's safety team will investigate the incident and conduct necessary fact finding.

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- (ii) Results of the investigation and fact finding will be recorded and a preliminary investigation report will be issued to the senior management of the Group within 24 hours from the incident. Further investigation with, among others, the injured employee, representative of the relevant subcontractor and eyewitness of the incident, will be carried out within three days from the incident.

In the case of an employee injury, the Group will send a work injury report to the relevant Government department in accordance with the relevant laws and regulations.

The Group will also report to the insurance company pursuant to the terms of the relevant insurance policy.

After reporting the incident to the insurance company, the matter shall be handled by the insurance company if it falls within the coverage of the relevant insurance policy. The insurance company may engage its legal representatives to takeover the conduct of the related litigations and negotiations for settlement.

Claims for personal injuries during the Track Record Period

During the Track Record Period and up to the Latest Practicable Date, the legal representations of the insurance companies engaged by either the Group or the main contractor settled three material claims for personal injuries for the Group. All of these incidents occurred in Hong Kong and did not involve fatalities. In addition to those disclosed in the paragraph headed "Litigations and claims" in this section, an accident happened during the Track Record Period but no claim in relation to such accident has been filed against the Group as at the Latest Practicable Date. The Group has filed notifications to the relevant insurance company and as at the Latest Practicable Date there is no further information or evidence to show that the insurance company would exclude its liability by giving relevant notice to the Group. For further details of litigation including the amount and insurance coverage, please refer to the paragraph headed "Litigations and claims" in this section. Save for the material claims against the Group as disclosed thereunder paragraph headed "Litigations and claims" of this section, the Directors are not aware of any material work-related accidents and injuries from employees or third parties during the Track Record Period and up to the Latest Practicable Date.

In 2012, the business owner of one of the subcontractors sustained injuries in the construction site. No claims were made in relation to such injury. The said business owner was the sole proprietor of the said subcontractor. Under the current regulatory framework and Employee's Compensation Ordinance (Cap 282), a company is only required to take out insurance policy for employee of the company. As advised by the Hong Kong Legal Advisers, the said business owner will not be regarded as an employee and thus, it does not fall into any category of claim of employee's compensation. As a usual practice, the Group takes out contractor's all risk insurance policies when the Group acted as main contractor, or when contractor's all risk insurance policies are not taken out by the main contractor of the project during the Track Record Period. In this particular case, as a subcontractor, in addition to the statutory requirement, the Group has taken out contractor's all risk insurance policy on top of employee's compensation insurance policy. However, as advised by the Hong Kong Legal Advisers, according to the terms of the insurance policy, the said business owner will be regarded as self-employed person, which the insurance policy expressly excludes to cover and thus, contractor's all risk insurance policies as well as employee's compensation insurance policies do not cover the said situation. After arm's length negotiation, a sum of HK\$3,000,000, which the Group, the main contractor, being a related

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company of Customer K, and the insurer contributed HK\$2,000,000, HK\$500,000 and HK\$500,000 respectively, was given to the said business owner at their discretion and an agreement was entered into by such parties. To the best knowledge of the Board and as at the Latest Practicable Date, no claim arises after the incident. During the Track Record Period and as at the Latest Practicable Date, to the best knowledge of the Board, there was no other incident of similar nature. In particular, to the best knowledge of the Board, no report has been made for any incident of self-employed workers sustaining injuries in the Group's construction site other than the case mentioned above. There is no evidence to support that there was similar incident occurred in the Group's construction site during the Track Record Period.

Furthermore, as a pre-caution and a further measure in view of the above-mentioned incident, the Group has established a procedure in order to prevent loss or claim arising from situation of similar nature, namely, by requesting the subcontractor(s) to sign a declaration letter to declare and to confirm that they will take up suitable insurance policies for self-employed workers and undertake to indemnify the Group for any loss in the case that it fails to take up suitable insurance policies. As advised by the Hong Kong Legal Advisers, the declaration letters are legal contracts, legally binding and enforceable by the parties. The indemnifying clauses contained in the declaration letters are legally binding, valid and enforceable contract terms. As at Latest Practicable Date, the insurance policies taken out by the Group cover all of its employees and its subcontractors' employees, and cover self-employed personnel engaged in all of the applicable on-going projects of the Group. In view of the aforesaid, the Directors consider that the existing measures adopted by the Group against potential exposure to claims made by self-employed subcontractors are adequate. Moreover, the Group has already employed a full-time safety officer in order to ensure the compliance of proper safety procedures and prevent future similar incident.

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		months ended
	2013	2014	31 March
			2015
Accident rate of the Group	3.8	2.6	1.8
Accident rate in the construction industry in Hong Kong	40.8	41.9	Not yet available

The accident rate in the construction industry for the two years ended 31 December 2013 and 2014 is based on the Occupational Safety and Health Statistics Bulletin Issue No. 14 and No. 15 issued by the Occupational Safety and Health Branch, Labour Department of Hong Kong in July 2014 and August 2015, respectively, which represents the accident rate per 1,000 workers of the construction industry in

BUSINESS

Hong Kong in the respective years. The accident rate of the Group is calculated as to the number of accidents during the year divided by the estimated number of site workers of the Group (both subcontractors and in-house workers) during the year, and then multiplies by 1,000. Such estimated number of site workers of the Group during the year is based on estimation on monthly site 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 and 2014, which the Directors believe that it is mainly due to the nature of the Group’s contracting service of alteration and addition works, renovation and maintenance for new and existing buildings and facilities that in general involve relatively less high-risk activities as compared with other construction works such as construction of new building, including the use of heavy construction machineries, e.g. heavy cranes and excavator, and working at height at incompleting building, coupled with the Group’s safety management system that helps preventing the occurrence of accidents.

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 and waste disposal. 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 when necessary for any dusty materials before loading and unloading (iii) Dusty load on vehicles to be covered by tarpaulin and vehicle washing facilities to be provided at all sites exits to wash away dusty materials from vehicle body and wheels

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Area	Measures
Noise control	<ul style="list-style-type: none">(i) Works that create loud noise are to be carried out during day-time only(ii) Idle equipment to be turned off as soon as possible(iii) Use of quiet mechanical tools and equipment whenever possible(iv) Obtain valid construction noise permit for using powered mechanical equipment after 7:00 p.m. and such permit should be applied for before commencement of work that creates loud noise after 7:00 p.m.(v) Conduction of staff training as to noise control at the commencement of each project to ensure that all staff are aware of the requirements regarding noise control(vi) Set-up of noise control policy and procedures to ensure compliance with Noise Control Ordinance
Waste disposal	<ul style="list-style-type: none">(i) Labeled bins to be provided to allow segregation of recyclable materials from other waste for transportation to landfills whenever possible(ii) Designated personnel assigned to ensure all charges and levies, and all other relevant requirements under the Waste Disposal Ordinance are fully complied with from time to time for the execution of the Group's site works

The Directors confirm that costs in relation to environmental compliance are usually borne by the Group at the work site. For each of two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, the Group incurred approximately HK\$102,000, HK\$34,000 and HK\$41,000, respectively in relation to the compliance with applicable environmental requirements. The Group estimates that its annual cost of compliance going forward will be consistent with its scale of operation.

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\$300,000 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.

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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).

Pursuant to Section 15 of the Employees' Compensation Ordinance, any accidents and injuries involving employees of the Group and the 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.

According to section 24 of the Employees' Compensation Ordinance, the Group and its customer 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, subject to the terms of the contract entered into between the Group and its customer, either the customers of the contracting service or the Group have taken out employees' compensation insurance policies pursuant to section 24 of the Employees' Compensation Ordinance covering the liabilities of it and its subcontractors. As a result, the Group's subcontractors' liabilities to employees are insured by insurance policy.

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.

Contractors' all risks insurance

In respect of the projects the Group was engaged as subcontractor during the Track Record Period, customers who acted as main contractor have 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 has also taken out contractor's all risk insurance policies when the Group acted as main contractor during the Track Record Period.

Professional indemnity insurance

FDBL, the Group's main operating subsidiary carrying on its consulting business, takes out professional indemnity insurance annually to cover its potential liability arising from possible claims against the Group under its consulting projects. The professional services insured by such professional indemnity insurance include architectural, interior design, drafting, structural engineering, building survey and project management services.

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The limit of indemnity under the professional indemnity insurance is HK\$10,000,000 for any one claim and in aggregate inclusive of relevant costs during the insured period. Such professional indemnity insurance has a period of insurance of one year and has a worldwide coverage (excluding the United States of America and Canada).

As the Group's business grows, its exposure to professional indemnity liabilities will increase. The Directors will from time to time review and ensure the adequacy of the coverage of the Group's professional indemnity insurance having regard to the Group's then conditions and the industry norm.

Other insurance coverage

In addition, the Group has also secured annual insurance coverage against loss or damage to office contents and public liability as well as employees' compensation for bodily injury occurring in the Group's office premises and the Group's work sites.

EMPLOYEES

Number of employees by function

As at 31 December 2013, 31 December 2014 and 31 March 2015 and as at the Latest Practicable Date, the Group had a total of 133, 105, 112 and 129 employees respectively. All employees of the Group are stationed in Hong Kong.

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

	As at 31 December		As at 31 March 2015	As at the Latest Practicable Date
	2013	2014		
Management	2	2	2	2
Administration, accounting and finance	9	9	10	11
Design	4	5	4	5
Consultancy	29	38	41	46
Project management	35	30	34	45
Direct workers	47	13	13	12
Building services	<u>7</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total	<u><u>133</u></u>	<u><u>105</u></u>	<u><u>112</u></u>	<u><u>129</u></u>

Relationship with staff

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

BUSINESS

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. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by employees.

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 employees.

PROPERTIES

Leased properties

As at the Latest Practicable Date, the Group leased five properties in Hong Kong and their details are set out below:

Location	Gross floor area <i>(in approximate sq.ft.)</i> <i>(Note)</i>	Lessor	Key terms of the tenancy	Usage
Units 601, 602 and 603 on the 6th Floor of The Sun's Group Centre, No. 200 Gloucester Road, Wan Chai, Hong Kong	7,388	An Independent Third Party	Monthly rental of HK\$233,000 with tenancy period up to 14 July 2016	For general office and operational use

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Location	Gross floor area <i>(in approximate sq.ft.)</i> <i>(Note)</i>	Lessor	Key terms of the tenancy	Usage
Room 1210, Chinachem Hung Hom Commercial Centre, 270-274 Chatham Road North, Hung Hom, Hong Kong	Not Available	An Independent Third Party	Monthly rental of HK\$6,500 with tenancy period up to 5 March 2016	As temporary office for a contracting project
Flat A, 20/F, Block 6, Bel-Air on the Peak, 68 Bel-Air Avenue, Cyberport, Hong Kong	1,875	An Independent Third Party	Monthly rental of HK\$75,000 with tenancy period up to 24 June 2016	For staff quarter
Flat C, 26/F, Tower 7, the Coronation, No. 1 Yau Cheung Road, Yau Ma Tei, Hong Kong	510	An Independent Third Party	Monthly rental of HK\$18,000 with tenancy period up to 27 September 2016	For staff quarter
Flat E, 11/F, Lucky Plaza, 315-321 Lockhart Road, Wanchai, Hong Kong	287	An Independent Third Party	Monthly rental of HK\$7,900 with tenancy period up to 4 February 2016	For general office and operational use

Note: The gross floor area was provided by real estate agents.

During the Track Record Period, the Group had not experienced any difficulty in renewing any lease.

Owned properties

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

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INTELLECTUAL PROPERTY RIGHTS

Trademark

As at the Latest Practicable Date, the Group is applying for the registration of four trademarks in Hong Kong. Details of such trademarks are set out in the paragraph headed “B. Further information about the business — 2. Intellectual property rights of the Group” in Appendix IV to this document.

Domain name

As at the Latest Practicable Date, the Group had registered one domain name, which as considered by the Directors are material to the business of the Group, being www.fdbhk.com in Hong Kong. Details of such domain name are set out in the paragraph headed “B. Further information about the business — 2. Intellectual property rights of the Group” 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.

NON-COMPLIANCE

The Directors confirm that save as disclosed below under this section, the Group has complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Set out below are details of the Group’s material non-compliances since the commencement of the Track Record Period:

Date	Company involved	Non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty	Penalties imposed and rectifications actions
14 August 2014	Win Lee	Breach of section 6(1)(a) and 6(5) of the Noise Control Ordinance (Cap. 400) for using powered mechanical equipment after 7:00 p.m. without valid construction noise permit.	The breach was not willful and was due to the inadvertent oversight of the responsible staff and the absence of timely and professional advice at the material time.	Under the Noise Control Ordinance, on first conviction to a fine of HK\$100,000; on the second or 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.	A fine of HK\$10,000 was ordered and duly paid by the Group for the incident. The Group shall comply with the relevant requirements before using any powered mechanical equipment.

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Date	Company involved	Non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty	Penalties imposed and rectifications actions
23 May 2013	Win Lee	Failed to make a billing account application in accordance with the Waste Disposal (Charges for Disposal of Construction Waste) Regulation.	The breach was not willful and was due to the inadvertent oversight of the responsible staff and absence of timely and professional advice at the material time.	Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who, without reasonable excuse, fails to comply with subsection (1) commits an offence and is liable to a fine of HK\$50,000 and, in the case of a continuing offence, to a further daily fine of HK\$1,000 for each day during which the offence continues.	A fine of HK\$3,000 was ordered and duly paid by the Group for the incident. The Group has complied with the relevant requirements subsequently.
14 May 2013	FDBL	Failed to make a billing account application in accordance with the Waste Disposal (Charges for Disposal of Construction Waste) Regulation.	The breach was not willful and was due to the inadvertent oversight of the responsible staff and absence of timely and professional advice at the material time.	Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who, without reasonable excuse, fails to comply with subsection (1) commits an offence and is liable to a fine of HK\$50,000 and, in the case of a continuing offence, to a further daily fine of HK\$1,000 for each day during which the offence continues.	A fine of HK\$4,000 was ordered and duly paid by the Group for the incident. The Group has complied with the relevant requirements subsequently.

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Indemnity given by the Controlling Shareholder

The Controlling Shareholder has entered into the Deed of Indemnity whereby the Controlling Shareholder has agreed to indemnify the Group, subject to the terms and conditions of the deed of indemnity, in respect of any liabilities and losses which may arise as a result of any non-compliance of the Group with the applicable laws, rules or regulations, including those regarding the registration and licensing requirements for the Group’s operation, on or before the date on which the [REDACTED] becomes unconditional. Further details of the deed of indemnity are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this document.

LITIGATIONS AND CLAIMS

During the Track Record Period, the Group was involved in eight cases of claims against the Group, seven of which relate to employees’ compensation claims and personal injuries claims against the Group by (a) the Group’s employees; or (b) the subcontractors’ employees and the Group was joined as a defendant in the capacity as a main contractor.

Set out below are the details of the material claims against the Group as at the Latest Practicable Date and such claims are considered by the Directors to have no material adverse impact on the Group.

Date of the civil action	Nature of the accident/claim	Identity of the injured worker/capacity of the plaintiff(s)/ Applicant(s)	Compensation claimed/amount settled	Status as at the latest Practicable Date
8 August 2013	An employee (“ Employee A ”) alleged to have sustained injury in the course of employment on 20 August 2011 in a contracting project undertaken by the Group as a main contractor.	Group’s employee	An employee’s compensation of HK\$300,000 was accepted by the employee	The insurer has taken over the proceedings and the claim has been fully settled.
	Employee A sustained injury as a result of being hit by a hand truck.			The claim has been fully covered by insurance.
	An employee’s compensation claim for personal injuries sustained by the employee (Action No. DCEC 1459 of 2013).			

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Date of the civil action	Nature of the accident/claim	Identity of the injured worker/capacity of the plaintiff(s)/ Applicant(s)	Compensation claimed/amount settled	Status as at the latest Practicable Date
8 October 2013	<p>An employee (“Employee B”) alleged to have sustained injury in the course of employment on 16 June 2013 in a contracting project undertaken by the Group as a subcontractor.</p> <p>Employee B fell and hit himself in the course of transporting iron pipes.</p> <p>An employee’s compensation claim for personal injuries sustained by the employee (Action No.DCEC 1791 of 2013)</p>	Group’s employee	Information not available because the case was taken over by the legal representative of the insurance company engaged by the main contractor	<p>The insurer has taken over the proceedings and the claim has been fully settled.</p> <p>The claim has been fully covered by insurance.</p>
5 December 2013	A claim by Employee B for damages for personal injuries sustained by the employee (Action No. DCPI 2564 of 2013)	Group’s employee	Information not available because the case was taken over by the legal representative of the insurance company engaged by the main contractor	<p>The insurer has taken over the proceedings and the claim has been fully settled.</p> <p>The claim has been fully covered by insurance.</p>

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Date of the civil action	Nature of the accident/claim	Identity of the injured worker/capacity of the plaintiff(s)/ Applicant(s)	Compensation claimed/amount settled	Status as at the latest Practicable Date
11 December 2013	<p>An employee (“Employee C”) alleged to have sustained injury in the course of employment on 7 November 2012 in a contracting project undertaken by the Group as a subcontractor.</p> <p>Employee C was injured by a wooden board falling from height.</p> <p>An employee’s compensation claim by Employee C for personal injuries sustained by the employee (Action No. DCEC 2218 of 2013)</p>	Group’s employee	No specific amount of claim was stated in the employee’s compensation claim	<p>The insurer has taken over the proceedings and the claim is still outstanding.</p> <p>The claim will be fully covered by insurance.</p>
13 June 2014	A claim by Employee A for damages for personal injuries sustained by the employee (Action No. DCPI 1296 of 2014)	Group’s employee	A claim for damages for personal injuries of HK\$1,062,545.40	<p>The insurer has taken over the proceedings and the claim is still outstanding.</p> <p>The claim will be fully covered by insurance.</p>
31 March 2015	A claim by Employee C for damages for personal injuries sustained by the employee (Action No. HCPI 332 of 2015)	Group’s employee	A claim for damages for personal injuries of HK\$2,395,215.50	<p>The insurer has taken over the proceedings and the claim is still outstanding.</p> <p>The claim will be fully covered by insurance.</p>

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Date of the civil action	Nature of the accident/claim	Identity of the injured worker/capacity of the plaintiff(s)/ Applicant(s)	Compensation claimed/amount settled	Status as at the latest Practicable Date
30 April 2015	<p>A group of employees (claimant 1 to 11) alleged that the Group has failed to make payment for overtime work and failed to pay wages</p> <p>A civil claim in the Labour Tribunal (Action No. LBTC 1400 of 2015) (the "Labour Tribunal Case")</p>	Subcontractor's employees	The total amount of claim is HK\$127,200	The employees withdrew the claim on 22 May 2015 and the claim has been fully settled in HK\$107,600.
11 September 2015	<p>An employee of a subcontractor engaged by the Group ("Employee D") alleged to have sustained injury on 11 February 2015 in the course of employment in a contracting project undertaken by the Group as main contractor.</p> <p>Employee D sustained injury as a result of being cut by a grinding machine.</p> <p>An employee's compensation claim for personal injuries sustained by the employee (Action No. DCEC 1889 of 2015).</p>	Subcontractor's employee	No specific amount of claim was stated in the employee's compensation claim	<p>The insurer is processing the claim.</p> <p>The claim will be fully covered by insurance.</p>

In relation to the incident involving Employee D, no personal injury claim against the Group under the common law has been commenced as at the Latest Practicable Date and therefore the incident may have the possibility of turning into a personal injury claim under common law against the Group.

With respect to the Labour Tribunal Case, the claimants are the employees of a subcontractor engaged by the Group in one of the Group's contracting project with Wang Fu, which ranked the first and second largest contracting project in terms of revenue contribution for the year ended 31 December 2014 and for the three months ended 31 March 2015, respectively. In January 2015, the Group paid an interim payment to the subcontractor a subcontracting charge which included the wages of approximately HK\$274,200. On 30 April 2015, the employees of the subcontractor filed a civil claim in

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the Labour Tribunal against a related company of Wang Fu, the Group and the subcontractor, alleging that the Group has failed to pay wages, including payment for overtime work, and claiming a total amount of HK\$127,200. Despite the settlement of such wages of the Group in its interim payment with the subcontractor in January 2015 as mentioned above, the claimants claimed that they did not receive such wages from the subcontractor. Under Section 43C of the Employment Ordinance (Cap. 57), the principal contractor or superior subcontractor is liable to the wages of employee of any subcontractor. The said wages are payable by the principal contractor or the superior subcontractor to employees under the said section in the case that the subcontractor failed to pay for the wages. Thus, the Group, as the superior subcontractor (with the meaning prescribed to it under the Employment Ordinance), was liable to the employees under Section 43C of the Employment Ordinance and it became a party to the civil claim. Under Section 43F of the Employment Ordinance, the superior subcontractor can recover any amount paid to the employee from a subcontractor if such amount has been paid by the superior subcontractor pursuant to Section 43C. On 22 May 2015, the Group and the claimants agreed to settle the claim in HK\$107,600 and the claimants withdrew the claim on the same day. The Labour Tribunal approved the withdrawal of the claim on 27 May 2015. On 16 July 2015, the Group made an arrangement with the aforesaid subcontractor to recover the relevant amount of payments to the claimants in the Labour Tribunal Case by the Group by setting-off outstanding interim payment and retention monies payable to the subcontractor. As confirmed by the Directors, and the Sponsor concurs that, there were no similar incidents whereby the Group had been claimed by its subcontractors and/or their/its own employees for outstanding wages during the Track Record Period.

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.

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 and ensure compliance with the applicable safety regulations.

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 [REDACTED] 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.

During the process of its evaluation of the adequacy and effectiveness of the Group's internal control system, Baker Tilly did not notice any significant internal control weaknesses or deficiencies other than those relating to non-compliance with the Noise Control Ordinance and the Waste Disposal Ordinance.

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With respect to the non-compliance incidents in relation to breach of the Noise Control Ordinance for using powered mechanical equipment without valid construction noise permit and of the Waste Disposal Ordinance for not making a billing account application in relation to charges for disposal of construction waste as mentioned above, Baker Tilly has reviewed and provided recommendations relating to the Group's internal control designs with respect to work procedures for preventing the recurrence of the above-mentioned non-compliance incident. Key measures adopted and to be adopted by the Group, having taken into account the recommendations of Baker Tilly, are disclosed in the paragraph headed "Environmental compliance" in this section.

With respect to cost control measures, Baker Tilly was of the view that the Group has maintain adequate cost control measures without major system control deficiencies.

Baker Tilly noted that, for term contracts, the Group has prepared a project master budget which projects (i) the estimated amount of revenue as a result of the work orders received during the contract term; (ii) the associated estimated costs to be incurred; (iii) the resulting estimated gross profit of the project. Moreover, actual-versus-budget analysis is performed semi-annually, and submitted to management for review. It noted that, for the Term Contract A, the management was aware of the shortfall of the work orders from those originally projected and the loss-making condition of the Term Contract A.

Baker Tilly noted that the main reasons behind the cost overrun and the resulting gross losses of the Term Contract A were mainly attributable to the nature of term contract (the revenue of which was basically based on the number of the work orders that would be performed by the Group during the contract term) is that inherently, the revenue could be uncertain and difficult to project. Baker Tilly further noted that at the end of the first half of 2014, management considered that increase in the amount of work orders and turnaround of the loss-making condition of the Term Contract A was less likely. Therefore, the Group came up with the decision to take the exit route to cut loss and reached an agreement with Customer A to early terminate the Term Contract A.

Baker Tilly considered that the overall internal control mechanism regarding the on-going cost monitoring was in place and implemented as intended. The cost overrun and the resulting gross losses of the Term Contract A were not caused/attributable to the absence nor non-performance of the internal control procedures.

With respect to the accounting errors made in the statutory financial information of the Group's subsidiaries for the years ended 31 December 2012 and 31 December 2013, details of which are contained in the paragraph headed "Tax liabilities" in the section headed "Financial information" in this document, the Directors consider that it was mainly due to the lack of competent accounting staff maintained by the Group for the accurate recognition of revenue based on the percentage of completion method during the preparation of the statutory financial information of the Group's subsidiaries. Baker Tilly has reviewed the accounting system of the Group and was of the view that the Group has maintained adequate accounting system without material deficiency. The Group appointed Mr. Yu Tsz Ngo, a Certified Public Accountant, as the company secretary of the Company on 15 May 2015, to oversee the company secretarial matters and also the accounting function of the Group. Baker Tilly has reviewed Mr. Yu Tsz Ngo's professional qualification and prior experience in the accounting and auditing industry, and was of the view that, as concurred by the Sponsor, Mr. Yu Tsz Ngo is competent

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to oversee the accounting function of the Group to ensure compliance with the Hong Kong Financial Reporting Standards and prevent the reoccurrence of similar accounting errors in the preparation of the Group’s financial statements.

In 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, including that for ensuring compliance with the applicable safety regulations, and preventing the recurrence of the Group’s non-compliance incident. 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, including that for ensuring compliance with the applicable safety regulations, and preventing the recurrence of the Group’s non-compliance incident, 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; (ii) the Group’s non-compliance incidents and the incidents of material claims do not materially affect the suitability of the Directors to act as directors under Rules 5.01 and 5.02 of the GEM Listing Rules; and (iii) the incidents identified do not materially affect the suitability for the Company’s [REDACTED] under Rule 11.06 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 in respect of the Directors:

Name	Age	Date of joining the Group	Appointment date	Position	Responsibilities
Mr. Ng Kin Siu (吳建韶)	48	September 2007	19 March 2015	Executive Director	Overall business development and financial and strategic planning of the Group
Mr. Lai Pak Wei (黎伯偉)	44	August 2012	15 May 2015	Executive Director	Overall management and administration of the Group's business operations
Mr. Chan Kai Nang (陳啟能)	69	16 September 2015	16 September 2015	Independent non-executive Director	Provide independent advice to the Board
Mr. Lau Yiu Kit (劉耀傑)	56	16 September 2015	16 September 2015	Independent non-executive Director	Provide independent advice to the Board
Mr. Chan Chun Hong (陳駿康)	41	16 September 2015	16 September 2015	Independent non-executive Director	Provide independent advice to the Board

Executive Directors

Mr. NG Kin Siu, (吳建韶), aged 48, is the founder of the Group. Mr. Ng is the chairman of the Board, an executive Director and the compliance officer of the Company and is responsible for the overall business development and strategic planning of the Group. Mr. Ng was appointed as an executive Director on 19 March 2015. He is also a director of FDBL, Harvest Building, Marvo Architecture, Win Lee and Win Lee (Project Team B).

Mr. Ng graduated from The Robert Gordon University in the United Kingdom in June 1993 with a degree of Bachelor of Science in building surveying. Mr. Ng has been a member of The Hong Kong Institute of Surveyors since March 1997, a member of The Royal Institution of Chartered Surveyors since December 1996 and registered as a registered professional surveyor with the Surveyors Registration Board in July 1999. Mr. Ng has been an Authorized Person since December 2007 and a Registered Inspector in Hong Kong since 3 October 2012. Mr. Ng has also been the technical director for Win Lee's registration of registered general building contractor and registered specialist contractor (demolition) since June 2009 and May 2009 respectively.

Mr. Ng has extensive experience with building surveying and is familiar with the Buildings Ordinance in Hong Kong. Prior to founding the Group, Mr. Ng had been working in the Buildings Department from April 1997 to March 2008, with last position being held as a building surveyor.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng was a director of Fortune Group Development Limited (富運通投資集團有限公司), which was incorporated in Hong Kong, prior to its dissolution. Fortune Group Development Limited was dissolved by striking off on 5 September 2014. Mr. Ng confirmed that Fortune Group Development Limited was solvent at the time of dissolution, and such dissolution has not resulted in any liability or obligation imposed against him.

Mr. Ng was not a director in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. LAI Pak Wei, (黎伯偉), aged 44, was appointed as an executive Director on 15 May 2015. Mr. Lai joined the Group on 13 August 2012. Mr. Lai is also a director of FDBL and Harvest Building.

Mr. Lai graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a degree of Bachelor of Science in building surveying in October 1992, and obtained a degree of Master of Science in construction and real estate from The Hong Kong Polytechnic University in October 2012. Mr. Lai also received a Postgraduate Certificate in Building Engineering from School of Professional and Continuing Education of The University of Hong Kong in April 2014. Mr. Lai has been admitted as a member of The Hong Kong Institute of Surveyors in July 2013, a professional member of The Royal Institution of Chartered Surveyors in November 2011, a member of the Chartered Institute of Building in October 2012, a member of the Chartered Institute of Arbitrators in January 2013 and a registered professional surveyor with the Surveyors Registration Board in October 2014. Mr. Lai has been an Authorized Person since 30 March 2015. Mr. Lai has also been approved by the Building Authority to act as the technical director for FDBL's registration of registered general building contractor in September 2014.

Mr. Lai has over 20 years of experience in the construction industry. Prior to joining the Group, he worked in Dennis Lau & Ng Chun Man Architects & Engineers (H.K.) Limited from February 1993 to May 1997 where he served as the assistant building surveyor, Shun Tak Properties Limited as project assistant from December 1997 to January 2000 and AEON Stores (Hong Kong) Co., Limited from April 2002 to August 2012, with last position being held as project manager.

Mr. Lai was not a director in any listed companies during the three years immediately preceding the Latest Practicable Date.

Independent non-executive Directors

Mr. CHAN Kai Nang (陳啟能), aged 69, appointed as an independent non-executive Director of the Company on 16 September 2015, received a Diploma in Management Studies from The University of Hong Kong in July 1976 and a degree of Bachelor of Laws from the University of London (a distance learning course) in August 1990. Mr. Chan has been an associate of The Institute of Cost and Management Accountants (now known as the Chartered Institute of Management Accountants) in the UK since June 1972 and The Hong Kong Institute of Certified Public Accountants since February 1973 and a fellow of The Association of Certified Accountants (now known as the Association of Chartered Certified Accountants) in the UK since December 1982. Mr. Chan was the executive director of Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited) (stock code: 27) from 14 January 2003 to 1 May 2008. Mr. Chan was also appointed as an independent non-executive director of Asian Capital Holdings Limited (stock code: 8295) since 4 June 2010, Prosperity

DIRECTORS AND SENIOR MANAGEMENT

International Holdings (H.K.) Limited (stock code: 803) since 17 August 2010, Soundwill Holdings Limited (stock code: 878) since 11 March 2009 and Steed Oriental (Holdings) Company Limited (stock code: 8277) since 16 September 2013.

Mr. Chan was a director of each of All Miles Limited (全銘有限公司), Citifair Asia Limited (城輝亞洲有限公司), K. Wah Block Company Limited (嘉華製磚有限公司) and Rainbow States Limited (彩域有限公司), which were all incorporated in Hong Kong, prior to their dissolutions. All of the aforesaid dissolved companies were dissolved by deregistration on 6 May 2011, 23 December 2011, 11 November 2011 and 9 August 2013 respectively. Mr. Chan confirmed that all of the aforesaid companies were solvent at the time of dissolution, and such dissolutions have not resulted in any liability or obligation imposed against him.

Save as disclosed above, Mr. Chan was not a director in any other listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. LAU Yiu Kit (劉耀傑), aged 56, was appointed as an independent non-executive Director of the Company on 16 September 2015. Mr. Lau is a sole proprietor and founder of Albert Y.K. Lau & Co., a firm of Certified Public Accountants. He has been a member of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) since January 1989, an associate of the Chartered Association of Certified Accountants (now known as the Association of Chartered Certified Accountants) since October 1987, the Institute of Chartered Accountants in England and Wales since October 2007 and the Taxation Institute of Hong Kong since June 1991. Mr. Lau has been an independent non-executive director of Artini China Co. Ltd. (stock code: 0789) since 1 December 2010. He has been appointed as an independent non-executive director of Titan Petrochemicals Group Limited (stock code: 1192) with effect from 23 March 2015. Save as disclosed, Mr. Lau did not hold any directorship in other listed companies.

Mr. Lau was a director of each of (i) A Vision Holdings (Pacific) Technology Limited (威迅集團(太平洋)科技有限公司); (ii) Al-Race Enterprises Limited (耀銓企業有限公司); (iii) Best King (Asia) Limited (卓高(亞洲)有限公司); (iv) Billion Ray (Asia) Limited (億裕(亞洲)有限公司); (v) "CPAOL" Consultancy Professional A. O. Limited; (vi) Grand Gain Property Management Limited (宏景管理有限公司); (vii) Rich Asia Corporation Limited (亞洲行創業有限公司); (viii) United Best Realty Limited (聯威置業有限公司); (ix) Well Talent (Asia) Limited (偉才(亞洲)有限公司); and (x) Yat Sun Fishing Limited (益新漁業有限公司), which were all incorporated in Hong Kong, prior to their dissolutions. Companies (i), (ix) and (x) were dissolved by striking off on 25 October 2002, 11 October 2002 and 21 December 2001 respectively, companies (ii), (iii), (iv), (v), (vi) and (vii) were dissolved by deregistration on 13 October 2000, 30 March 2001, 24 June 2005, 12 April 2002, 15 December 2000 and 12 December 2003 respectively, and company (viii) was dissolved by member's voluntary winding up on 27 September 2000. Mr. Lau confirmed that all of the aforesaid dissolved companies were solvent at the time of dissolution, and such dissolutions have not resulted in any liability or obligation imposed against him.

Save as disclosed above, Mr. Lau was not a director in any other listed companies during the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Chun Hong (陳駿康), aged 41, was appointed as an independent non-executive Director on 16 September 2015. Mr. Chan graduated from The Hong Kong University of Science and Technology with a bachelor’s degree in Business Administration in Finance in November 1996. Mr. Chan has been a fellow of the Association of Chartered Certified Accountants since October 2006, a CFA Charterholder since September 2004 and a fellow member of the Hong Kong Institute of Directors since March 2015. Mr. Chan joined Grant Sherman Appraisal Limited in March 2005 where he currently serves as the executive director and is responsible for the valuation of business enterprises, intangible assets and derivative instruments.

Mr. Chan was a director of Argus Finance Media Limited, which was incorporated in Hong Kong prior to its dissolution by deregistration on 25 June 2010. Mr. Chan confirmed that the aforesaid company was solvent at the time of dissolution, and such dissolution has not resulted in any liability or obligation imposed against him.

Mr. Chan was not a director in any listed companies during the three years immediately preceding the Latest Practicable Date.

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

Save as disclosed above, 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 “C. Further information about Substantial Shareholders, Directors and experts — 1. Disclosure of interests” in Appendix IV 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 him 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.

SENIOR MANAGEMENT

The senior management of the Group comprises the executive Directors and the following persons:

Name	Age	Date of joining the Group	Position
Mr. Chung Yuk Ming, Christopher	42	1 September 2014	Project Director
Mr. Ip Kong Ling	40	6 May 2009	Project Manager
Mr. Yu Hung Kwan Jason	40	22 February 2012	Project Manager
Mr. Yu Tsz Ngo	30	15 May 2015	Company Secretary

Mr. CHUNG Yuk Ming, Christopher (鍾育明), aged 42, is the project director of the Group principally responsible for organising, managing and supervising contracting projects. Mr. Chung joined the Group in September 2014. He obtained a degree of Bachelor of Science in Building Surveying from

DIRECTORS AND SENIOR MANAGEMENT

City University of Hong Kong in November 1995, a degree of Master of Science in Urban Planning from the University of Hong Kong in December 1999 and a degree of Bachelor of Laws from the Manchester Metropolitan University (a 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 Manager since August 2005. Mr. Chung has over 19 years of experience in the construction industry. Prior to joining the Group, he worked in China International Fund Limited from April 2007 to August 2010 and from October 2012 to March 2014 and Penta Ocean Construction Co. Ltd from August 1995 to July 2005 with the last position as Construction Manager. Mr. Chung was also appointed on 10 September 2015 as an independent non-executive director of Lap Kei Engineering (Holdings) Limited (Stock Code: 8369), which is expected to be listed on the Stock Exchange on 25 September 2015. Save as disclosed above, Mr. Chung has not held any directorship in other listed companies in the past three years.

Mr. IP Kong Ling (葉江凌), aged 40, is the project manager of the Group principally responsible for the overall operation of the Group's project management business and management of size work. Mr. Ip joined the Group in May 2009. He obtained a degree of Bachelor of Science in Facilities Management (Top Up) from University of Central Lancashire (a distance learning course) in December 2007. Mr. Ip has over 15 years of experience in the construction industry. Prior to joining the Group, he worked in Cheung Kong Centre Property Management Limited from May 1999 to May 2009 and his last position was engineer in technical services department. He is also a director of SCCL. Mr. Ip has not held any directorship in other listed companies in the past three years.

Mr. Yu Hung Kwan Jason (余洪均), aged 40, is the project manager of the Group principally responsible for execution and supervision of contracting projects. Mr. Yu joined the Group in February 2012. He graduated from The Hong Kong Polytechnic University with a degree of Bachelor of Science in Building surveying in December 1999. Mr. Yu has over six years of experience in construction project management. Prior to joining the Group, he was a deputy project manager in China State Construction Engineering (Hong Kong) Limited from November 2006 to December 2008 and project manager in Patrick Chung & Associates Limited from August 2010 to February 2012. He is also a director of Sky Global. Mr. Yu has not held any directorship in other listed companies in the past three years.

COMPANY SECRETARY

Mr. YU Tsz Ngo (余子敖), aged 30, was appointed as a company secretary on 15 May 2015. Mr. Yu is responsible for overseeing the company secretarial matters and the accounting function of the Group. Mr. Yu has over eight years of experience in the accounting and auditing industry. He worked at Deloitte Touche Tohmatsu in Hong Kong from January 2007 to February 2012 and his last position was Manager in the audit department. Mr. Yu also worked at Pompei Limited, a retail business company, from April 2012 to March 2015 and his last position was Financial Controller. Mr. Yu obtained a degree of Bachelor of Commerce (Accounting and Finance) from Monash University of Australia in December 2005 and a master degree of Applied Finance from Monash University of Australia in December 2006. He has been a member of the Certified Public Accountants Australia since January 2006, the Hong Kong Institute of Certified Public Accountants since July 2011 and the Chartered Institute of Management Accountants since May 2014. Mr. Yu has not held any directorship in other listed companies in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Mr. Ng was appointed as the compliance officer of the Company on 16 September 2015. Please refer to the paragraph headed “Directors — Executive Directors” in this section for the profile of Mr. Ng.

REMUNERATION POLICY

Directors

Mr. Ng and Mr. Lai were appointed as the executive Directors of the Company on 19 March 2015 and 15 May 2015 respectively, and their emoluments for the Track Record Period paid/payable by the group entities are as follows:

	Year ended		Three months	
	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>
	(unaudited)			
Fee	—	—	—	—
Salaries and other allowances (<i>Note 1</i>)	528	1,204	192	415
Retirement benefit scheme contributions	15	17	4	5
Discretionary bonus (<i>Note 2</i>)	<u>150</u>	<u>180</u>	<u>150</u>	<u>180</u>
	<u><u>693</u></u>	<u><u>1,401</u></u>	<u><u>346</u></u>	<u><u>600</u></u>

Notes:

1. Including the rental of Flat A, 20/F, Block 6, Bel-Air on the Peak, 68 Bel-Air Avenue, Cyberport, Hong Kong as staff quarter provided to Mr. Ng since June 2014.
2. The discretionary bonus is determined with consideration of the progress and performance of construction contract works for the year/periods of the entities.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors:

	Year ended 31 December			Three months ended 31 March		
	2013	2014	2014	2014	2015	2015
	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Ng	—	534	—	—	42	—
Mr. Lai	150	670	180	150	186	180
	528	693	867	304	346	371
	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	15	693	17	4	346	180
	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	5	693	17	4	415	5
	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	5	1,204	17	4	600	5
	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus	Retirement benefit scheme contributions	Salaries and other allowance	Discretionary bonus
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	5	1,204	17	4	600	5

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng is also the chief executive of the Company and his emoluments disclosed above included those services rendered by him as the chief executive. During the Track Record Period, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments during the Track Record Period.

Independent non-executive Directors:

There were no emoluments paid to the independent non-executive Directors during the Track Record Period.

Employees

The five highest paid individuals of the Group included one Director of the Company for the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2014 and 2015, details of his emoluments are set out above. The emoluments of the remaining four individuals for the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2014 and 2015 are as follows:

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Salaries and other allowances	2,264	2,531	585	679
Discretionary bonus	465	527	465	527
Retirement benefit scheme contributions	<u>60</u>	<u>67</u>	<u>15</u>	<u>18</u>
	<u><u>2,789</u></u>	<u><u>3,125</u></u>	<u><u>1,065</u></u>	<u><u>1,224</u></u>

The emoluments of the four highest paid individuals (excluding the Director) fell within the following rank:

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
HK\$ Nil–HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

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

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Group. The

DIRECTORS AND SENIOR MANAGEMENT

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.

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

Executive Directors	<i>HK\$</i>
NG Kin Siu	3,300,000
LAI Pak Wei	1,200,000
Independent non-executive Directors	<i>HK\$</i>
CHAN Kai Nang	150,000
LAU Yiu Kit	150,000
CHAN Chun Hong	150,000

BOARD COMMITTEES

Audit Committee

The Company established the audit committee on 16 September 2015 with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Chan Kai Nang, Mr. Lau Yiu Kit and Mr. Chan Chun Hong with Mr. Chan Kai Nang as 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 Company's financial reporting process and internal control system.

Remuneration Committee

The Company established the remuneration committee on 16 September 2015 which, at present, comprises three independent non-executive Directors, Mr. Chan Kai Nang, Mr. Lau Yiu Kit and Mr. Chan Chun Hong with Mr. Lau Yiu Kit as the chairman of the committee. Written terms of reference in

DIRECTORS AND SENIOR MANAGEMENT

compliance with paragraph B.1.1 of the Code on Corporate Governance Practices 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 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 16 September 2015. The nomination committee comprises Mr. Chan Kai Nang, Mr. Lau Yiu Kit, Mr. Chan Chun Hong with Mr. Chan Chun Hong as the chairman of the nomination committee. Written terms of reference in compliance with paragraph A.5 of the Code on Corporate Governance Practices 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.

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 Company 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 Company, including share issues and share repurchases;
- (iii) where the Company proposes to [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of the Company deviate from any forecast, estimate (if any) 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 Company 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 options which may be granted under the Share Option Scheme), each of Mr. Ng and Masterveyor will control more than 30% of the Company's issued share capital. For the purpose of the GEM Listing Rules, Mr. Ng and Masterveyor will be the Controlling Shareholders. 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 competes, or is likely to compete, either directly or indirectly, with the business of the Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules hold such interests after the Reorganisation.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

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. Ng and Mr. Lai. Two of the independent non-executive Directors, namely Mr. Chan Kai Nang and Mr. Lau Yiu Kit, are Certified Public Accountants. 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 fiduciary duties as a Director which require, among other things, that he acts for the benefit of and in the best interests of the Company and does not allow any conflict between his duties as a Director and his 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. Ng and Mr. Lai, 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 of the Group will be able to perform their roles in the Group independently, and the Directors are of the view that the Group 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 also established a set of internal control mechanism to facilitate the effective operations of the Group’s business.

The Group currently does not have any intention to purchase or sell any products/services 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.

Financial independence

The Group has established a financial system that operates independently. During the Track Record Period and up to the Latest Practicable Date, Mr. Ng had provided personal guarantees for the banking facilities used by the Group. The banks have agreed in principle that the above personal guarantees will be released and replaced by the corporate guarantees executed by the Company upon [REDACTED]. Save as disclosed above, the Directors are of the view that the Group is not financially dependent on the Controlling Shareholders or their respective associates in the Group’s business operations and the Group is able to obtain external financing on market terms and conditions for its business operations as and when required.

COMPETITION

None of the Directors, Controlling Shareholders or any of their respective associates is a director or a shareholder of any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

Each of its Controlling Shareholders has entered into the Deed of Non-Competition in favour of the Company, pursuant to which each of its Controlling Shareholders jointly and unconditionally undertakes to and covenants with the Company (for the Company and as trustee of the Group’s subsidiaries) that:

- (1) each of the Controlling Shareholders shall not, and shall procure each of his/its associates and/or companies controlled by he/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly and whether for profit or otherwise, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent or otherwise and whether for profit, reward or otherwise) any business which is or may be in competition with the business of any members of the Group (the “**Restricted Business**”);
- (2) if each of the Controlling Shareholders and/or any of his/its associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

within seven Business Days notify the Group in writing of such opportunity and provide such information as is reasonably required by the Group in order to enable the Group to come to an informed assessment of such New Business Opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to the Group on terms no less favourable than the terms on which such New Business Opportunity is offered to him/it and/or his/its associates; and

- (3) if the Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) Business Days (the "**30-day Offering Period**") of receipt of notice from the relevant Controlling Shareholder, the relevant Controlling Shareholder and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. Its Controlling Shareholders agree to extend the 30 Business Days to a maximum of 60 Business Days if the Group requires so by giving a written notice to the Controlling Shareholders within the 30-day Offering Period.

Each of the Controlling Shareholders undertakes to the Company (for the Company and as trustee of the Group's subsidiaries) to provide the Group and the Directors from time to time (including the independent Directors) with all information for the annual review by the independent Directors with regard to compliance of the terms of the non-competition undertaking and the enforcement of the non-competition undertaking.

Each of the Controlling Shareholders undertakes to the Company (for the Company and as trustee of the Group's subsidiaries), (if necessary) after the end of each financial year of the Group, a declaration made by each of its Controlling Shareholders which shall state whether or not its Controlling Shareholders have during that financial year complied with the terms of the non-competition undertaking, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of the Group for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report.

Each of the Controlling Shareholders undertakes to the Company (for the Company and as trustee of the Group's subsidiaries) to allow the Directors, their respective representatives and the auditors to have sufficient access to the records of its Controlling Shareholders and his/its associates to ensure their compliance with the terms and conditions of the non-competition undertaking.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders undertakes to the Company (for the Company and as trustee of its subsidiaries) that during the period in which he/it and his/its associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (1) he/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by the Group from time to time;
- (2) he/it will not solicit any existing or then existing employee of the Group for employment by he/it or his/its associates (excluding the Group);
- (3) he/it will not without the consent from the Group, make use of any information pertaining to the business of the Group which may have come to his/its knowledge in his/its capacity as its Controlling Shareholder for any purposes; and
- (4) he/it will procure his/its associates (excluding the Group) not to invest or participate in any project or business opportunity mentioned above, unless the information about the principal terms thereof has been disclosed to the Group and the Directors, and the Group shall have, after review and approval by the Directors (including the independent Directors without the attendance by any Director with beneficial interest in such project or business opportunities, in which resolutions have been duly passed by the majority of the independent Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that relevant associate of its Controlling Shareholders invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those offered to the Group. Subject to the above, if the relevant associate of the Controlling Shareholders decides to be involved, engaged, or participate in the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to the Group and the Directors as soon as practicable.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the [REDACTED] of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the [REDACTED] having been fulfilled (or where applicable, waived) and the [REDACTED] not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the [REDACTED] (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this document, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

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

- (i) any of the Controlling Shareholders and his/its associates and/or successor, individually and/or collectively, cease to own 30% or more of the then issued share capital of the Company directly or indirectly or ceases to be deemed as controlling shareholder of the Company (as defined in the GEM Listing Rules from time to time); or

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (ii) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason).

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 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 or any of his associates is materially interested unless a majority of the independent non-executive Directors expressly requested him to attend but in no circumstances shall he 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 the Controlling Shareholders;
- (3) the 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 the Controlling Shareholders in the annual reports of the Company;
- (5) the 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/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.

Further, any transaction that is proposed between the Group and the 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, 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, the following persons will, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 any other member of the Group:

Name	Capacity/Nature of interest	Number of shares held/ interested in the Company immediately following completion of the Capitalisation Issue and the [REDACTED]	Percentage of shareholding immediately following completion of the Capitalisation Issue and the [REDACTED]	Number of Shares held in the Company as at the date of submission for the [REDACTED]	Approximate percentage of interests in the Company as at the date of submission of application for the [REDACTED]
Mr. Ng Kin Siu (Note 1)	Interest in controlled corporation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Wong Chai Lin (Note 2)	Interest of spouse	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Masterveyor Holdings Limited (Note 1)	Beneficial owner	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. Mr. Ng Kin Siu beneficially owns the entire issued share capital of Masterveyor Holdings Limited and is deemed, or taken to be, interested in all the Shares held by Masterveyor Holdings Limited for the purposes of the SFO. Mr. Ng Kin Siu is the sole director of Masterveyor Holdings Limited.
2. Ms. Wong Chai Lin is the spouse of Mr. Ng Kin Siu and is deemed, or taken to be, interested in all the Shares in which Mr. Ng Kin Siu is interested for the purposes of the SFO.

Save as disclosed above, the Directors are not aware of any other persons who will, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme) 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 who 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 or any other member of the Group.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares which may be issued upon exercise of any option that may be granted under the Share Option Scheme is not exercised, the share capital of the Company immediately following the [REDACTED] and the [REDACTED] will be as follows:

HK\$

Authorised:

<u>[4,000,000,000]</u>	Shares of HK\$0.01 each	<u>[40,000,000]</u>
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Issued or to be issued, fully paid or credited as fully paid:

[100,000]	Shares in issue as at the Latest Practicable Date	[1,000]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
	(Note)	
<u>[REDACTED]</u>	Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u>	Shares	<u>[REDACTED]</u>

Note: Masterveyor will sell [REDACTED] shares for the purpose of the [REDACTED]. Mr. Ng, the executive director and chairman of the Company, beneficially owns the entire issued share capital of Masterveyor and therefore is deemed, or taken to be, interested in all the Sale Shares held by Masterveyor.

[REDACTED]

[REDACTED]

RANKING

The [REDACTED] Shares 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 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.

SHARE CAPITAL

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 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.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the Company's next annual general meeting unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the Company is required by laws or the Articles of Association to hold its next annual general meeting; or
- (c) the passing of an ordinary resolution by Shareholders in general meeting revoking and varying the authority given to the Directors.

For further details of this general mandate, see the paragraph headed "A. Further information about the Company — 3. Written resolutions of the Sole Shareholder passed on 16 September 2015 and 21 September 2015" 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 options that may be granted under the Share Option Scheme).

SHARE CAPITAL

This general 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 "A. Further information about the Company — 6. Repurchase of the Shares by the Company" in Appendix IV to this document.

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 this general mandate, please refer to the paragraphs headed "A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 16 September 2015 and 21 September 2015" and "A. Further information about the Company — 6. Repurchase of the Shares by the Company" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

The Company shall in each year other than the year of the Company's adoption of the Articles hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; which annual general meeting shall be held within 15 months after the holding of the last preceding annual general meeting, or within not more than 18 months after the date of adoption of the Articles (unless a longer period would not infringe the rules of the Stock Exchange). All general meetings other than annual general meetings shall be called extraordinary general meetings. The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

FINANCIAL INFORMATION

You should read this section in conjunction with the Group’s audited consolidated financial statements, including the notes thereto, as set out in the Accountants’ Report set out in Appendix I to this document. The Group’s consolidated 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 headed “Risk factors” in this document.

OVERVIEW

The Group is principally engaged in (i) contracting service for alteration and addition works, maintenance, specialist works and new development; and (ii) consulting service for alteration and addition, new development, licensing, Building Services, and architectural design for buildings in Hong Kong. Set out below is an overview of the Group’s businesses:

(a) Contracting service

For contracting service, the Group mainly undertakes alteration and addition works, renovation and maintenance for new and existing buildings and facilities in Hong Kong either as a main contractor or subcontractor. The Group’s contracting service covers various types of buildings, including residential, commercial (e.g. office and hotel), industrial, institutional (e.g. hospital and school) and shops, and the purposes of such works include changing the use of building or renovating the facility. The Group also undertakes demolition works and building works for house, façade and signage.

In a contracting project acting as either the main contractor or as a subcontractor, the Group is responsible for organising a project team for the overall implementation of the project according to the scope of work, which generally included planning, construction, monitoring and supervision until completion. The project team manages the cost, time and quality of the project through the arrangement of subcontractors, material and equipment procurement and direct labour employment.

The Group generally assigns its in-house team of direct workers to perform part of the site works and engages subcontractors to perform the remaining part of the site works. The Group leverages on the expertise of its in-house team of professional staff with project management experience and engineering knowledge to deliver quality work in conformity with customer’s expectation and prescribed timeframe.

FINANCIAL INFORMATION

Customers of the Group's contracting service mainly include landlords/property developers and main contractors who contract all or part of the works to other subcontractors, such as the Group.

Revenue from a contracting project mainly represents the contracting fee income, while main costs include subcontracting charges incurred by the Group, staff costs of in-house staff involved, costs of material, and other supplies required for the performance of the works.

(b) Consulting service

For consulting service, the Group mainly provides to customers (i) Authorized Person services in preparing, submitting and obtaining approval from the relevant Government authorities for plans of building works, including new development or alteration and addition, and/or performing statutory supervision duties until certification upon work completion; (ii) licensing consultancy services including designing layout and obtaining clearance from the relevant Government authorities for licensing of restaurants, food and beverage outlets, food factories, etc.; (iii) design for Building Services systems installation for buildings and premises; and (iv) architectural design for new development, alteration and addition, renovation and fitting-out for buildings/premises in Hong Kong.

For Authorized Person services, the Group is responsible for the provision of professional services from feasibility study, design of plans, submission to and liaison with Government authorities and site supervision until work completion. For feasibility study, the Group provides advice and checking for development parameters with respect to, among other things, statutory requirements and constraints imposed by any contractual arrangements. The Group's professional staff acts as the Authorized Person in the preparation of plans and documents under the Buildings Ordinance for building works (for both new development or alteration and addition works) based on customers' requirements and parameters of the premises and in conformity with the applicable laws and regulations in Hong Kong. The Group then submits the plans and documents to the Building Authority for processing, and liaise with and obtain approval on the submitted plans from related Government authorities. Subject to the terms of the engagement, the Group's professional staff may continue the Authorized Person's role in supervising the execution of site works as per statutory requirements until the issuance of occupation permits and acknowledgement letters for new developments and alteration or addition works respectively upon completion of the building works.

For licensing consultancy services, the Group is responsible for the layout design and associated submissions for restaurants, food and beverage outlets, food factories, etc. in conformity with the applicable laws and regulations in Hong Kong for the purpose of obtaining the relevant licences to carry out their businesses. Such licences include restaurant licence and food factory licence. The Group then submits the plans and documents to the corresponding licensing authorities, and liaises with and obtains letters of requirements on the submitted plans and documents from the licensing authority. Upon completion of site works, the Group coordinates and makes submissions for certification along with the related documents to the licensing authority and follows through required inspections by related Government authorities until the issuance of licences to the customers.

FINANCIAL INFORMATION

On top of consulting services relating to new development or alteration and addition works, the Group provides designing services for Building Services systems installation in a consulting project, which are essential to the functioning of a building. The Group can also offer architectural design in parallel with design for building works for new development or alteration and addition works in a consulting project. For renovation or fitting-out works not requiring statutory submissions to be made by the Group, the Group can also provide interior design service to customers separately.

The Group maintains an in-house team of professional staff specialised in surveying, architecture and engineering, and Authorized Persons who are eligible to submit to and obtain approval from the relevant Government authorities on the proposals for new development or alteration and addition works, to offer the aforesaid consulting services.

Customers of the Group’s consulting service mainly include (i) for Authorized Person services, landlord/property developer and main contractor; and (ii) for licensing services, business operators of restaurants, food and beverage outlet, food factories, etc.. Consulting projects undertaken during the Track Record Period included redevelopment of sites and alteration and addition to utilise existing buildings for different purposes, such as residential/office property-to-hotel conversion.

Revenue from a consulting project mainly represents the consulting fee income, while main costs include staff costs of in-house staff involved for the provision of the related consulting project and subconsulting charges.

The following table sets out a breakdown of the Group’s revenue during the Track Record Period by business segments:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
Contracting service	162,137	84.5	158,140	79.2	31,217	82.5	28,889	77.2
Consulting service	<u>29,824</u>	<u>15.5</u>	<u>41,414</u>	<u>20.8</u>	<u>6,631</u>	<u>17.5</u>	<u>8,544</u>	<u>22.8</u>
	<u>191,961</u>	<u>100.0</u>	<u>199,554</u>	<u>100.0</u>	<u>37,848</u>	<u>100.0</u>	<u>37,433</u>	<u>100.0</u>

BASIS OF PRESENTATION

Prior to the Reorganisation, the provision of contracting service and consulting service were carried out by China PM (Holdings) and its subsidiaries. To rationalise the corporate structure in preparation for the [REDACTED] on the GEM of the Stock Exchange, the entities comprising the Group underwent the Reorganisation which mainly involved (i) incorporation of the Company as an exempted company with limited liability in the Cayman Islands on 19 March 2015 and (ii) interspersing investment holding companies, including the Company, between the operating subsidiaries and the ultimate equity shareholder, Mr. Ng Kin Siu (the “**Controlling Shareholder**”). Further details of the Reorganisation are set out in the paragraph headed “A. Further information about the Company — 4. Corporate reorganisation” in Appendix IV to this document. Upon completion of the Reorganisation, the Company became the ultimate holding company of the Group on 31 March 2015.

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The companies that took part in the Reorganisation were controlled by the Controlling Shareholder during the Track Record Period or since their respective dates of incorporation up to 31 March 2015 where this is a shorter period. As there was no change in the effective interest and control of the Controlling Shareholder over the group entities before and after the Reorganisation, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting Under Common Control Combination” issued by HKICPA. The financial information relating to the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period includes the results of operation and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates, taking 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**”) which are effective for annual 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:

Availability of contracting and consulting projects in Hong Kong

The Group’s business performance is affected by the number and availability of contracting and consulting projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to Hong Kong property markets, the general conditions of property markets in Hong Kong, and the amount of investment in the new constructions and improvement of existing constructions. Unfavourable changes in these factors may result in a significant decrease in the number of contracting and consulting projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong may lead to a significant decline in the number of construction and consulting projects of buildings in Hong Kong, thereby resulting in a decline in the number of projects available involving the design and construction of buildings. There is no assurance that the number of contracting and consulting projects in Hong Kong will not decrease in the future. Any significant increase or decrease in the availability of contracting and consulting projects in Hong Kong may materially affect the Group’s business volume and therefore the results of operations and financial condition.

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Costs and availability of engineering staff in Hong Kong

In the Group's consulting business, the Group leverages on the expertise of its in-house team of engineering staff in developing the required engineering designs for the customers. In the Group's contracting business, the Group would attempt to leverage on the expertise of its in-house team of engineering staff in changing the original engineering design to a more cost-effective one in order for the Group to achieve savings and profit margin. As such, 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 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.

Financial resources required to undertake projects for the contracting business

The aggregate number and size of projects that the Group is able to undertake in the contracting business hinges on the amount of the Group's available working capital because there are often time lags between making payments to the subcontractors and receiving payments from the customers. If the Group chooses to pay the subcontractors only after receiving payments from the customers, the Group will risk its reputation in being able to make payments on a timely manner, which could harm its ability to engage capable and quality subcontractors for the contracting business in the future. In addition, some contracting projects undertaken by the Group in the future may involve the provision of surety bonds, which will require the use of a substantial amount of the Group's cash resources. The Directors believe that the [REDACTED] from the [REDACTED] will strengthen the available financial resources and it is therefore one of the Group's business strategies to further develop the contracting business after [REDACTED]. The available financial resources will therefore affect the Group's ability to undertake projects for the contracting business.

Performance and availability of the subcontractors

In respect of the contracting service, 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 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.

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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, delays in obtaining the necessary approvals in respect of the engineering designs from the relevant Government authorities or their appointed consultants, 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 consolidated financial statements prepared using the significant accounting policies set forth in Note 4 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 4 to the Accountants' Report set out in Appendix I to this document.

Merger accounting for business combination involving entities under common control

The financial statements incorporate the financial statements items of the combining entities 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 are consolidated 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.

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

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Revenue recognition

The Group's revenue is measured at the fair value of the consideration received or receivable. Revenue from contracting service is recognised on the percentage of completion method, measured based on the proportion that contract costs incurred for work performed to date relative the estimated total contract costs during the year/period, while revenue from consulting service is recognised when the relevant services are rendered to the customer. Please refer to the accounting policy for "Construction contracts" below for further explanation.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Construction contract is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Contract cost comprises subcontracting charges, direct labour, material costs and other construction overheads. Where the outcome of a construction 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 based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. 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.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that will probably 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 recognized as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. Amounts received before the related work performed are included in the consolidated 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 consolidated statements of financial position under trade and other receivables.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that the Group will be required to settle that 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 (where the effect of the time value of money is material).

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.

(i) *Financial assets*

The Group's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 and points 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.

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

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, amount due from a director, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on 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 each 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.

For all financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 passed the presentation date to its customers from provision of contracting service and credit period ranging from 14 – 45 days offered to its customers from provision of consulting service, 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 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.

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

(ii) Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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 creditors and accrued charges, and borrowings) 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 and points 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 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.

Taxation

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

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

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Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 is realised, based on tax rate (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 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty that the Group uses in applying its accounting policies are set out in note 5 of the notes to the Accountants' Report set out in Appendix I to this document. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue recognition of construction works

The Group recognises contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction cost which mainly comprise subcontracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction 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 based on objective evidence. 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, a material 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 approximately HK\$39,677,000, HK\$53,254,000 and HK\$29,613,000 respectively.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out the Group's consolidated statements of profit or loss and other 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		Three months ended	
	31 December		31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	191,961	199,554	37,848	37,433
Cost of services	<u>(162,617)</u>	<u>(160,490)</u>	<u>(31,326)</u>	<u>(29,983)</u>
Gross profit	29,344	39,064	6,522	7,450
Other income	100	693	100	2
Other losses	(3,049)	(2,562)	(1,989)	—
[REDACTED] expenses	—	—	—	(593)
Administrative expenses	(11,584)	(12,359)	(2,716)	(3,247)
Finance costs	<u>(1,132)</u>	<u>(1,622)</u>	<u>(450)</u>	<u>(150)</u>
Profit before tax	13,679	23,214	1,467	3,462
Income tax expense	<u>(2,391)</u>	<u>(4,094)</u>	<u>(238)</u>	<u>(669)</u>
Profit and total comprehensive income for the year/period	<u><u>11,288</u></u>	<u><u>19,120</u></u>	<u><u>1,229</u></u>	<u><u>2,793</u></u>

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Revenue

The Group's revenue represents the amount received and receivable for revenue arising on contracting service and consulting service during the Track Record Period.

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Contracting service	162,137	84.5	158,140	79.2	31,217	82.5	28,889	77.2
Consulting service	<u>29,824</u>	<u>15.5</u>	<u>41,414</u>	<u>20.8</u>	<u>6,631</u>	<u>17.5</u>	<u>8,544</u>	<u>22.8</u>
	<u><u>191,961</u></u>	<u><u>100.0</u></u>	<u><u>199,554</u></u>	<u><u>100.0</u></u>	<u><u>37,848</u></u>	<u><u>100.0</u></u>	<u><u>37,433</u></u>	<u><u>100.0</u></u>

The following table sets out the number of projects with engagement confirmed during the Track Record Period:

	Number of projects with engagement confirmed			
	For the year		For the three months	
	ended 31 December		ended 31 March	
	2013	2014	2014	2015
Contracting service	28	37	4	3
Consulting service	<u>136</u>	<u>169</u>	<u>36</u>	<u>28</u>
	<u><u>164</u></u>	<u><u>206</u></u>	<u><u>40</u></u>	<u><u>31</u></u>

The following table sets out the number of projects with revenue contribution to the Group during the Track Record Period:

	Number of projects with revenue contribution			
	For the year		For the three months	
	ended 31 December		ended 31 March	
	2013	2014	2014	2015
Contracting service	38	54	24	19
Consulting service	<u>199</u>	<u>259</u>	<u>73</u>	<u>74</u>
	<u><u>237</u></u>	<u><u>313</u></u>	<u><u>97</u></u>	<u><u>93</u></u>

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Contracting service

The following table sets out the range of contract sum of the 28, 37 and 3 contracting projects with engagement confirmed during the year ended 31 December 2013 and 2014 and during the three months ended 31 March 2015, respectively.

	Contract sum per contracting project with engagement confirmed			
	During the year ended 31 December		During the three months 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	16,031	75,550	4,500	81,583
Minimum	5	12	12	13
Average	4,761	4,682	1,547	27,355

The average contract sum per contracting project with engagement confirmed during the year/period was approximately HK\$4.8 million, HK\$4.7 million and HK\$27.4 million for the year ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, respectively. Set out below is the breakdown of contracting projects with engagement confirmed during the Track Record Period by range of contract sum:

	Number of contracting projects with engagement confirmed			
	For the year ended 31 December		For the three months ended 31 March	
	2013	2014	2014	2015
HK\$10,000,000 or above	6	4	—	1
HK\$5,000,000 to below HK\$10,000,000	5	2	—	—
HK\$1,000,000 to below HK\$5,000,000	5	11	2	—
Below HK\$1,000,000	<u>12</u>	<u>20</u>	<u>2</u>	<u>2</u>
	<u>28</u>	<u>37</u>	<u>4</u>	<u>3</u>

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The following table sets out the range of revenue recognised during the year/period of the 38, 54 and 19 contracting projects with revenue contribution during the year ended 31 December 2013 and 2014 and during the three months ended 31 March 2015 respectively.

	Revenue recognised during the year/period per contracting project with revenue contribution			
	During the year ended 31 December		During the three months 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	26,772	27,927	7,507	7,844
Minimum	7	5	12	2
Average	4,267	2,906	1,083	1,404

Consulting service

The following table sets out the range of contract sum of the 136, 169 and 28 consulting projects with engagement confirmed during the year ended 31 December 2013 and 2014 and during the three months ended 31 March 2015 respectively.

	Contract sum per consulting project with engagement confirmed			
	During the year ended 31 December		During the three months 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	9,000	5,247	1,700	7,368
Minimum	4	4	4	5
Average	250	212	197	390

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The average contract sum per consulting project was approximately HK\$250,000, HK\$212,000 and HK\$390,000 for the year ended 31 December 2013 and 2014 and for the three months ended 31 March 2015 respectively. Set out below is the breakdown of consulting projects with engagement confirmed during the Track Record Period by range of contract sum:

	Number of consulting projects with engagement confirmed			
	For the year ended 31 December		For the three months ended 31 March	
	2013	2014	2014	2015
HK\$5,000,000 or above	1	2	—	1
HK\$1,000,000 to below HK\$5,000,000	4	4	1	1
Below HK\$1,000,000	<u>131</u>	<u>163</u>	<u>35</u>	<u>26</u>
	<u><u>136</u></u>	<u><u>169</u></u>	<u><u>36</u></u>	<u><u>28</u></u>

The following table sets out the range of revenue recognised during the year/period of the 199, 259 and 74 consulting projects with revenue contribution during the year ended 31 December 2013 and 2014 and during the three months ended 31 March 2015 respectively.

	Revenue recognised during the year/period per consulting project with revenue contribution			
	During the year ended 31 December		During the three months 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	3,841	3,684	815	746
Minimum	4	4	10	4
Average	146	157	86	111

FINANCIAL INFORMATION

Cost of services

	For the year ended		For the three months	
	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>
			(unaudited)	
Subcontracting charges	109,169	105,476	18,456	17,656
Direct labour costs	27,769	31,465	7,835	7,676
Subconsulting charges	6,844	7,235	1,323	1,624
Material costs	7,820	6,306	824	1,435
Others	11,015	10,008	2,888	1,592
	<u>162,617</u>	<u>160,490</u>	<u>31,326</u>	<u>29,983</u>

Cost of services primarily comprises:

- (i) Subcontracting fees represent the fees paid and payable to subcontractors who provide site works for the completion of the contracting 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%
Profit before tax per Accountants' Report				
Change in profit before tax	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2013	13,679	(5,458)	(10,917)	5,458
Year ended 31 December 2014	23,214	(5,274)	(10,548)	5,247
Three months ended 31 March 2014	1,467	(923)	(1,846)	923
Three months ended 31 March 2015	3,462	(883)	(1,766)	883
Profit after tax per Accountants' Report				
Change in profit after tax	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2013	11,288	(4,558)	(9,116)	4,558
Year ended 31 December 2014	19,120	(4,404)	(8,807)	4,404
Three months ended 31 March 2014	1,229	(771)	(1,541)	771
Three months ended 31 March 2015	2,793	(737)	(1,474)	737

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- (ii) 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%
	Profit before				
	tax per				
	Accountants'				
	Report	Change in profit before tax			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	13,679	(1,388)	(2,777)	1,388	2,777
Year ended 31 December 2014	23,214	(1,573)	(3,147)	1,573	3,147
Three months ended 31 March 2014	1,467	(392)	(784)	392	784
Three months ended 31 March 2015	3,462	(384)	(768)	384	768
	Profit				
	after tax per				
	Accountants'				
	Report	Change in profit after tax			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2013	11,288	(1,159)	(2,319)	1,159	2,319
Year ended 31 December 2014	19,120	(1,314)	(2,627)	1,314	2,627
Three months ended 31 March 2014	1,229	(327)	(654)	327	654
Three months ended 31 March 2015	2,793	(320)	(641)	320	641

- (iii) Sub-consulting charges include fees paid and payable to sub-consultants in consulting service;
- (iv) Material costs mainly include the purchases of materials and furniture being installed in the Group's contracting projects; and
- (v) Others mainly include (i) site/workers insurance, (ii) rental expenses for equipment, and (iii) transportation cost for the Group's projects.

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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 three months ended 31 March			
	2013		2014		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Contracting service	14,447	8.9	19,092	12.1	4,679	15.0	4,783	16.6
Consulting service	14,897	49.9	19,972	48.2	1,843	27.8	2,667	31.2
	<u>29,344</u>	<u>15.3</u>	<u>39,064</u>	<u>19.6</u>	<u>6,522</u>	<u>17.2</u>	<u>7,450</u>	<u>19.9</u>

Gross profit for each business segment is calculated as segment revenue minus cost of services allocated to the segment. Segment cost of services mainly includes:

- in respect of the contracting service, subcontracting charges, direct labour costs, material costs and others; and
- in respect of the consulting service, direct staff costs, sub-consulting charges and others.

For consulting service, the Group was able to achieve high gross profit margin that is higher than that of contracting service because, due to the business nature of the consulting service, the Group mainly relies on its professional staff in the provision of the services, and did not require a substantial amount of external services such as sub-consulting, unlike contracting service which requires a significant amount of subcontracting.

Please refer to the paragraph headed “Comparison of results of operations” in this section 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 months	
	31 December		ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)			
Bank interest income	26	22	—	2
Reimbursement from main contractor	—	487	—	—
Others	74	184	100	—
	<u>100</u>	<u>693</u>	<u>100</u>	<u>2</u>

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The reimbursement from main contractor under other income for the year ended 31 December 2014 relates to an amount of HK\$500,000 subsequently agreed and received, net of handling charges of HK\$13,000, in relation to compensation in 2013 to the business owner of one of the Group’s subcontractors for injury sustained in 2012. Save as the foregoing, the other income of the Group mainly comprises bank interest income and sundry income. Please refer to the paragraph headed “Occupational health and safety” in the section headed “Business” in this document for further details.

Other losses

For the year ended 31 December 2013, the Group recorded other losses of approximately HK\$3,049,000, which represents (i) a compensation in 2013 to the business owner of one of the Group’s subcontractors for injury sustained in 2012, comprising HK\$258,000 paid to such business owner as medical payment prior to the entering into of the agreement and HK\$2,500,000 paid pursuant to the agreement in relation to the compensation to such business owner; and (ii) an impairment loss recognised on trade and retention receivables of HK\$291,000. Please refer to the paragraph headed “Occupational health and safety” in the section headed “Business” in this document for further details. For the year ended 31 December 2014, the other losses of approximately HK\$2,562,000 includes (i) an impairment loss recognised on trade and retention receivables of approximately HK\$2,074,000 and (ii) net loss of write off of property, plant and equipment of approximately HK\$488,000.

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 months	
	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>
			(unaudited)	
Auditors’ remuneration	47	303	—	—
Depreciation of property, plant and equipment	335	410	122	146
Entertainment	1,872	1,290	392	334
Legal and professional fee	327	100	81	13
Operating lease rentals in respect of office premises	895	2,040	305	774
Staff costs, including directors’ emoluments	5,667	5,304	1,066	1,305
Travelling	658	398	98	105
Other expenses	1,783	2,514	652	570
	<u>11,584</u>	<u>12,359</u>	<u>2,716</u>	<u>3,247</u>

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The administrative and other operating expenses mainly comprise:

- (i) auditors' remuneration, which are fees to the auditors;
- (ii) depreciation of property, plant and equipment, which is the depreciation of the Group's leasehold improvement, furniture, fixtures and office equipment;
- (iii) entertainment expenses, which mainly include costs incurred to maintain relationship with the Group's existing and potential customers and suppliers;
- (iv) legal and professional fee, which mainly includes fees paid for legal services and tax filing service obtained by the Group;
- (v) operating lease rental on premises, which represents rental expenses for the Group's rented premises;
- (vi) staff costs (including directors' emoluments), which include salaries and benefits provided to Mr. Ng and administrative staff; and
- (vii) travelling expenses, which represents expenses for travelling incurred by the Directors and staff.

Finance cost

The Group's finance cost during each of the Track Record Period is as below:

	For the year ended 31 December		For the three months ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:				
Bank borrowings wholly repayable within five years	270	386	121	68
Bank overdrafts	50	72	15	7
Advances from customers wholly repayable within five years	812	1,164	314	75
	1,132	1,622	450	150

The finance cost of the Group increased from approximately HK\$1.1 million in the year ended 31 December 2013 to approximately HK\$1.6 million in the year ended 31 December 2014 was attributable to the increase in interest on advances from customers from approximately HK\$0.8 million for the year ended 31 December 2013 to approximately HK\$1.2 million for the year ended 31 December 2014. The finance cost of the Group decreased from approximately HK\$450,000 in the three months ended 31 March 2014 to approximately HK\$150,000 in the three months ended 31 March 2015 was attributable to the decrease in interest on advances from customers from approximately HK\$314,000 for the three months ended 31 March 2014 to approximately HK\$75,000 for the three months ended 31 March 2015.

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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 consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December		For the three months ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>13,679</u>	<u>23,214</u>	<u>1,467</u>	<u>3,462</u>
Tax charge at Hong Kong Profits Tax				
Rate of 16.5%	2,257	3,830	242	571
Tax effect of expenses not deductible for tax purpose	50	372	—	99
Under (over) provision in respect of prior years	57	(20)	—	—
Others	<u>27</u>	<u>(88)</u>	<u>(4)</u>	<u>(1)</u>
	<u>2,391</u>	<u>4,094</u>	<u>238</u>	<u>669</u>

COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

The revenue of the Group increased slightly from approximately HK\$192.0 million for the year ended 31 December 2013 to approximately HK\$199.6 million for the year ended 31 December 2014, representing an increase of approximately 4.0% as follows:

	For the year ended 31 December		Change
	2013	2014	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Contracting service	162,137	158,140	(2.5)%
Consulting service	<u>29,824</u>	<u>41,414</u>	<u>38.9%</u>
Total revenue	<u>191,961</u>	<u>199,554</u>	<u>4.0%</u>

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The increase in total revenue was mainly attributable to an increase in revenue from consulting service of approximately HK\$29.8 million for the year ended 31 December 2013 to approximately HK\$41.4 million for the year ended 31 December 2014 and was partly offset by a slight decrease in revenue from contracting service of approximately HK\$162.1 million for the year ended 31 December 2013 to approximately HK\$158.1 million for the year ended 31 December 2014.

As discussed in the paragraph headed “Contracts entered into and projects undertaken during the Track Record Period” in the section headed “Business” in this document, the number of contracting projects with revenue contribution increased from 38 for the year ended 31 December 2013 to that of 54 for the year ended 31 December 2014, while the average revenue recognised per contracting project decreased from approximately HK\$4,267,000 for the year ended 31 December 2013 to approximately HK\$2,906,000 for the year ended 31 December 2014. As more contracting projects of relatively lower contract sum were undertaken by the Group in 2014, as reflected by the increase in number and decrease in average contract sum of projects with engagement confirmed in 2014 as compared to 2013, the revenue from contracting service remained stable for the two years ended 31 December 2013 and 2014.

The increase in revenue from consulting service was mainly due to greater demand for the Group’s consulting service. As discussed in the paragraph headed “Contracts entered into and projects undertaken during the Track Record Period” in the section headed “Business” in this document, the number of consulting projects with engagement confirmed increased from 136 for the year ended 31 December 2013 to 169 for the year ended 31 December 2014, while the number of consulting projects with revenue contribution increased from 199 for the year ended 31 December 2013 to 259 for the year ended 31 December 2014. On the other hand, the average revenue recognised per consulting project increased from approximately HK\$146,000 for the year ended 31 December 2013 to approximately HK\$157,000 for the year ended 31 December 2014, which represented an increase of approximately 7.5%.

Cost of services

The cost of services of the Group decreased slightly from approximately HK\$162.6 million for the year ended 31 December 2013 to approximately HK\$160.5 million for the year ended 31 December 2014 which represented a decrease of approximately 1.3% as follows:

	Total			Contracting service			Consulting service		
	For the year ended		Change	For the year ended		Change	For the year ended		Change
	31 December 2013	2014		31 December 2013	2014		31 December 2013	2014	
	HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Subcontracting charges	109,169	105,476	(3.4)%	109,169	105,476	(3.4)%	—	—	—
Direct labour costs	27,769	31,465	13.3%	19,686	17,432	(11.4)%	8,083	14,033	73.6%
Subconsulting charges	6,844	7,235	5.7%	—	—	—	6,844	7,235	5.7%
Material costs	7,820	6,306	(19.4)%	7,820	6,306	(19.4)%	—	—	—
Others	11,015	10,008	(9.1)%	11,015	9,834	(10.7)%	—	174	—
Total	162,617	160,490	(1.3)%	147,690	139,048	(5.9)%	14,927	21,442	43.6%

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The slight decrease in cost of services was mainly attributable to a decrease in cost of services relating to contracting service of approximately HK\$147.7 million for the year ended 31 December 2013 to approximately HK\$139.0 million for the year ended 31 December 2014 and was partly offset by an increase in cost of services relating to consulting service of approximately HK\$14.9 million for the year ended 31 December 2013 to approximately HK\$21.4 million for the year ended 31 December 2014.

The decrease in cost of services relating to contracting service of approximately 5.9% was in line with the decrease in revenue from contracting service of approximately 2.5%. All types of cost of services, namely subcontracting charges, direct labour cost, material costs and other costs decreased by approximately 3.4%, 11.4%, 19.4% and 10.7% respectively.

The increase in cost of services relating to consulting service of approximately 43.6% was in line with the increase in revenue from consulting service of approximately 38.9%. Both direct labour costs and sub-consulting charges increased by approximately 73.6% and 5.7% respectively.

Gross profit and gross profit margin

The Group's total gross profit increased from approximately HK\$29.3 million for the year ended 31 December 2013 to approximately HK\$39.1 million for the year ended 31 December 2014, of which gross profit for contracting business increased from approximately HK\$14.4 million for the year ended 31 December 2013 to approximately HK\$19.1 million for the year ended 31 December 2014, and gross profit for consulting business increased from approximately HK\$14.9 million for the year ended 31 December 2013 to approximately HK\$20.0 million for the year ended 31 December 2014.

The Group's gross profit margin increased from approximately 15.3% for the year ended 31 December 2013 to approximately 19.6% for the year ended 31 December 2014. Such increase was mainly due to increase in revenue from consulting service by approximately 38.9%, as well as increase in revenue contribution from consulting service from approximately 15.5% to approximately 20.8%, which had a higher gross profit margin of approximately 48.2% as compared with that of contracting service of approximately 12.1% for the year ended 31 December 2014. The gross profit margin for contracting business also increased from approximately 8.9% for the year ended 31 December 2013 to approximately 12.1% for the year ended 31 December 2014.

The increase in gross profit margin for contracting business from approximately 8.9% for the year ended 31 December 2013 to approximately 12.1% for the year ended 31 December 2014 was mainly due to (i) decrease in losses incurred from the Term Contract A, being the Group's second largest contracting projects in terms of revenue contribution for the year ended 31 December 2013 and 2014, which represented approximately 13% and 9% of the Group's revenue for the respective year. The losses on the project were approximately HK\$13.1 million and HK\$2.0 million for the year ended 31 December 2013 and 2014, respectively. The aforesaid project relate to the undertaking of a term contract for minor works for a hospital managed by the Hospital Authority, further details of which are contained in the paragraph headed "Contracts entered into and projects undertaken during the Track Record Period" in the section headed "Business" in this document; and (ii) increase in revenue contribution from projects undertaken by the Group in the capacity as a main contractor from approximately 51.3% for the year ended 31 December 2013 to approximately 61.3% for the year ended 31 December 2014, which had a higher gross profit margin of approximately 23.6% as compared with that of projects undertaken by the Group in the capacity as a subcontractor of approximately 13.2% for the year ended 31 December 2014.

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The gross profit margin for consulting business for the year ended 31 December 2014 remained stable at approximately 48.2% as compared with that of approximately 49.9% for the year ended 31 December 2013 as the revenue from consulting service and the cost of services relating to consulting service increased at similar rate for the year ended 31 December 2014.

Other income

The other income of the Group increased from approximately HK\$100,000 for the year ended 31 December 2013 to approximately HK\$693,000 for the year ended 31 December 2014 which was mainly attributable to a reimbursement of approximately HK\$487,000 relating to a compensation to the business owner of one of the Group's subcontractors for injury in 2012 in the year ended 31 December 2014.

Other losses

The other losses of the Group decreased from approximately HK\$3.0 million for the year ended 31 December 2013 to approximately HK\$2.6 million for the year ended 31 December 2014 which was mainly attributable to a compensation to the business owner of one of the Group's subcontractors for injury of approximately HK\$2.8 million recognised in the year ended 31 December 2013, as compared to an impairment loss recognised on trade and retention receivables of approximately HK\$2.1 million recognised in the year ended 31 December 2014.

Administrative expenses

The administrative expenses of the Group increased from approximately HK\$11.6 million for the year ended 31 December 2013 to approximately HK\$12.4 million for the year ended 31 December 2014, representing an increase of approximately HK\$0.8 million or approximately 6.7%.

Such increase was primarily due to (i) the increase in operating lease rental on premises from approximately HK\$0.9 million for the year ended 31 December 2013 to approximately HK\$2.0 million for the year ended 31 December 2014 due to the leasing of a new office premises; and (ii) the increase in other expenses, mainly comprising motor vehicle running expenses and printing and stationery expenses, from approximately HK\$1.8 million for the year ended 31 December 2013 to approximately HK\$2.5 million for the year ended 31 December 2014.

Finance costs

The finance costs increased from approximately HK\$1.1 million for the year ended 31 December 2013 to approximately HK\$1.6 million for the year ended 31 December 2014, representing an increase of approximately 43.3% increase. The increase in finance costs was mainly attributable to the increase in interest on advances from customers from approximately HK\$0.8 million for the year ended 31 December 2013 to approximately HK\$1.2 million for the year ended 31 December 2014, as during the year ended 31 December 2014, the Group obtained advances from Wang Fu pursuant to the terms of the contract in relation to the undertaking of renovation work, which was the largest contracting project and the second largest contracting project in terms of revenue contribution for the year ended 31 December 2014 and 31 March 2015 respectively.

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Profit before tax

As a result of the foregoing, profit before tax increased by approximately 69.7% from approximately HK\$13.7 million for the year ended 31 December 2013 to approximately HK\$23.2 million for the year ended 31 December 2014.

Income tax expense

The Group's income tax expense increased by approximately 71.2% from approximately HK\$2.4 million for the year ended 31 December 2013 to approximately HK\$4.1 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in profit before tax from approximately HK\$13.7 million for the year ended 31 December 2013 to approximately HK\$23.2 million for the year ended 31 December 2014.

Profit for the year

The Group's profit for the year increased by approximately 69.4% from approximately HK\$11.3 million for the year ended 31 December 2013 to approximately HK\$19.1 million for the year ended 31 December 2014, which was mainly due to the combined effect of abovementioned items.

Three months ended 31 March 2015 compared to three months ended 31 March 2014

Revenue

The revenue of the Group decreased slightly from approximately HK\$37.8 million for the three months ended 31 March 2014 to approximately HK\$37.4 million for the three months ended 31 March 2015, representing a decrease of approximately 1.1% as follows:

	For the three months		Change
	ended 31 March		
	2014	2015	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)		
Contracting service	31,217	28,889	(7.5)%
Consulting service	6,631	8,544	28.8%
Total revenue	37,848	37,433	(1.1)%

The slight decrease in total revenue was mainly attributable to a decrease in revenue from contracting service of approximately HK\$31.2 million for the three months ended 31 March 2014 to approximately HK\$28.9 million for the three months ended 31 March 2015 and was partly offset by an increase in revenue from consulting service of approximately HK\$6.6 million for the three months ended 31 March 2014 to approximately HK\$8.5 million for the three months ended 31 March 2015.

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The decrease in revenue from contracting service was mainly due to the lower number of engagements of contracting project of three for the three months ended 31 March 2015 as compared with that of four for the three months ended 31 March 2014. Moreover, the number of contracting projects with revenue contribution was 19 for the three months ended 31 March 2015, as compared with that of 24 for the three months ended 31 March 2014. On the other hand, the contract sum per contracting project with engagement confirmed increased significantly from approximately HK\$1.5 million for the three months ended 31 March 2014 to approximately HK\$27.4 million for the three months ended 31 March 2015. In February 2015, the Group entered into a contract for contracting service with contract sum of approximately HK\$81.6 million, which is significantly higher than maximum contract sum of contract entered during the three months ended 31 March 2014, and is the highest contract sum among all projects during the Track Record Period.

The increase in revenue from consulting service was mainly due to greater demand for the Group’s consulting business. As discussed in the paragraph headed “Contracts entered into and projects undertaken during the Track Record Period” in the section headed “Business” in this document, the number of consulting projects with revenue contribution increased from 73 for the three months ended 31 March 2014 to 74 for the three months ended 31 March 2015. Meanwhile, the average revenue recognised per consulting project increased from approximately HK\$86,000 for the three months ended 31 March 2014 to approximately HK\$111,000 for the three months ended 31 March 2015, which represented an increase of approximately 29.1% due to greater demand for the Group’s consulting service.

Cost of services

The cost of services of the Group decreased from approximately HK\$31.3 million for the three months ended 31 March 2014 to approximately HK\$30.0 million for the three months ended 31 March 2015 which represented a decrease of approximately 4.3% as follows:

	Total			Contracting service			Consulting service		
	For the three months ended 31 March		Change	For the three months ended 31 March		Change	For the three months ended 31 March		Change
	2014	2015		2014	2015		2014	2015	
	HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000	
	(unaudited)			(unaudited)			(unaudited)		
Subcontracting charges	18,456	17,656	(4.3)%	18,456	17,656	(4.3)%	—	—	—
Direct labour costs	7,835	7,676	(2.0)%	4,484	3,491	(22.1)%	3,351	4,185	24.9%
Sub-consulting charges	1,323	1,624	22.8%	—	—	—	1,323	1,624	22.8%
Material costs	824	1,435	74.2%	824	1,435	74.2%	—	—	—
Others	2,888	1,592	(44.9)%	2,774	1,524	(45.1)%	114	68	(40.4)%
Total	31,326	29,983	(4.3)%	26,538	24,106	(9.2)%	4,788	5,877	22.7%

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The decrease in cost of services was mainly attributable to a decrease in cost of services relating to contracting service of approximately HK\$26.5 million for the three months ended 31 March 2014 to approximately HK\$24.1 million for the three months ended 31 March 2015 and was partly offset by an increase in cost of services relating to consulting service of approximately HK\$4.8 million for the three months ended 31 March 2014 to approximately HK\$5.9 million for the three months ended 31 March 2015.

The decrease in cost of services relating to contracting service of approximately 9.2% was in line with the decrease in revenue from contracting service of approximately 7.5%. Subcontracting charges, direct labour cost and other costs decreased by approximately 4.3%, 22.1% and 45.1% respectively, which was partly offset by an increase in material costs of approximately 74.2%.

The increase in cost of services relating to consulting service of approximately 22.7% was mainly due to the increase in revenue from consulting service of approximately 28.8%. Both direct labour costs and sub-consulting charges increased by approximately 24.9% and 22.8% respectively.

Gross profit and gross profit margin

The Group's total gross profit increased from approximately HK\$6.5 million for the three months ended 31 March 2014 to approximately HK\$7.5 million for the three months ended 31 March 2015, of which gross profit for contracting business increased from approximately HK\$4.7 million for the three months ended 31 March 2014 to approximately HK\$4.8 million for the three months ended 31 March 2015, and gross profit for consulting business increased from approximately HK\$1.8 million for the three months ended 31 March 2014 to approximately HK\$2.7 million for the three months ended 31 March 2015.

The Group's gross profit margin increased from approximately 17.2% for the three months ended 31 March 2014 to approximately 19.9% for the three months ended 31 March 2015. Such increase was mainly due to an increase in gross profit margin for both contracting and consulting business.

The increase in gross profit margin for contracting business was mainly due to increase in revenue contribution from projects undertaken by the Group in the capacity as a main contractor from approximately 72.5% for the three months ended 31 March 2014 to approximately 81.1% for the three months ended 31 March 2015, which had a higher gross profit margin of approximately 21.2% as compared with that of projects undertaken by the Group in the capacity as a subcontractor of approximately 14.3% for the three months ended 31 March 2015. The top five contracting projects with the highest revenue contribution to the Group for the three months ended 31 March 2015 in general recorded higher gross profit margin than that for the three months ended 31 March 2014.

The increase in gross profit margin for consulting business was mainly due to the relatively higher increase in revenue from consulting service of approximately 28.8% as compared to the increase in cost of services relating to consulting service of approximately 22.7%. The top five consulting projects with the highest revenue contribution to the Group for the three months ended 31 March 2015 in general recorded higher gross profit margin than that for the three months ended 31 March 2014.

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Other income

The other income of the Group decreased from approximately HK\$100,000 for the three months ended 31 March 2014 to approximately HK\$2,000 for the three months ended 31 March 2015 which was mainly attributable to other income of approximately HK\$100,000 relating to sponsor income received for the Group's functions recognised in the three months ended 31 March 2014 as compared with nil in the three months ended 31 March 2015.

Other losses

Other losses was approximately HK\$2.0 million for the three months ended 31 March 2014 representing an impairment loss recognised on trade and retention receivables, as compared with nil for the three months ended 31 March 2015.

[REDACTED]

[REDACTED]

Administrative expenses

The administrative expenses of the Group increased from approximately HK\$2.7 million for the three months ended 31 March 2014 to approximately HK\$3.2 million for the three months ended 31 March 2015, representing an increase of approximately HK\$0.5 million or approximately 19.6%.

Such increase was primarily due to the increase in operating lease rental on premises from approximately HK\$0.3 million for the three months ended 31 March 2014 to approximately HK\$0.8 million for the three months ended 31 March 2015.

Finance costs

The finance costs decreased from approximately HK\$450,000 for the three months ended 31 March 2014 to approximately HK\$150,000 for the three months ended 31 March 2015, representing a decrease of approximately 66.7%. The decrease in finance costs was mainly attributable to the decrease in interest on advances from customers from approximately HK\$314,000 for the three months ended 31 March 2014 to approximately HK\$75,000 for the three months ended 31 March 2015.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately 136.0% from approximately HK\$1.5 million for the three months ended 31 March 2014 to approximately HK\$3.5 million for the three months ended 31 March 2015.

FINANCIAL INFORMATION

Income tax expense

The Group's income tax expense increased by approximately 181.1% from approximately HK\$238,000 for the three months ended 31 March 2014 to approximately HK\$669,000 for the three months ended 31 March 2015. The increase was mainly attributable to the increase in profit before tax from approximately HK\$1.5 million for the three months ended 31 March 2014 to approximately HK\$3.5 million for the three months ended 31 March 2015.

Profit for the period

The Group's profit for the period increased by approximately 127.3% from approximately HK\$1.2 million for the three months ended 31 March 2014 to approximately HK\$2.8 million for the three months ended 31 March 2015, which was mainly due to the combined effect of abovementioned items.

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 consolidated statements of cash flows for the years/periods indicated:

	For the year ended		For the three months	
	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>
			(unaudited)	
Net cash from operating activities	8,567	12,411	1,961	17,498
Net cash used in investing activities	(4,474)	(884)	(2,029)	(14,030)
Net cash used in financing activities	(182)	(2,741)	(2,646)	(2,395)
Net increase (decrease) in cash and cash equivalents	3,911	8,786	(2,714)	1,073
Cash and cash equivalent at beginning of the year/period	202	4,113	4,113	12,899
Cash and cash equivalent at end of the year/period	4,113	12,899	1,399	13,972

FINANCIAL INFORMATION

Net cash flows from operating activities

For the year ended 31 December 2013, the Group recorded net cash from operating activities of approximately HK\$8.6 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$15.4 million, increase in amounts due to customers for contract works of approximately HK\$0.8 million and increase in trade and other payables of approximately HK\$20.0 million which is partly offset by increase in amounts due from customers for contract works of approximately HK\$18.0 million, increase in trade and other receivables of approximately HK\$8.8 million and income tax paid of approximately HK\$0.9 million.

For the year ended 31 December 2014, the Group recorded net cash from operating activities of approximately HK\$12.4 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$27.8 million, increase in amounts due to customers for contract works of approximately HK\$0.2 million and increase in trade and other payables of approximately HK\$6.7 million which is partly offset by increase in amounts due from customers for contract works of approximately HK\$6.2 million, increase in trade and other receivables of approximately HK\$15.5 million and income tax paid of approximately HK\$0.6 million. The increase in trade and other receivables was primarily due to (i) relatively higher amount of work done certified and invoiced to customers for payment in the second half of 2014 as compared with that in the corresponding period of 2013 due to the execution of two contracting projects of large contract sum in the second half of 2014; and (ii) the business growth in 2014 as evidenced by the increase in revenue for the year ended 31 December 2014 as compared with that for the year ended 31 December 2013. The increase in trade and other payables was primarily due to increase in cost of services for the year ended 31 December 2014 as compared with that for the year ended 31 December 2013 due to the execution of two contracting projects of large contract sum in the second half of 2014.

For the three months ended 31 March 2015, the Group recorded net cash from operating activities of approximately HK\$17.5 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$3.8 million, decrease in amounts due from customers for contract works of approximately HK\$6.2 million and decrease in trade and other receivables of approximately HK\$21.1 million which is partly offset by decrease in amounts due to customers for contract works of approximately HK\$1.0 million and decrease in trade and other payables of approximately HK\$12.7 million. The decrease in trade and other receivables was primarily due to lower amount of work done certified and invoiced to customers for payment in the first quarter of 2015 due to seasonal effect as discussed in the paragraph headed “Customers — Seasonality” in the section headed “Business” in this document. The decrease in trade and other payables was primarily due to relatively lower amount of work executed and accordingly lower amount of cost of services incurred in the first quarter of 2015 due to seasonal effect as discussed in the paragraph headed “Customers — Seasonality” in the section headed “Business” in this document.

FINANCIAL INFORMATION

Net cash used in investing activities

For the year ended 31 December 2013, the Group recorded net cash used in investing activities of approximately HK\$4.5 million, primarily as a result of purchase of property, plant and equipment of approximately HK\$1.3 million, advances to related parties of approximately HK\$1.5 million, advance to a director of approximately HK\$2.6 million which is partly offset by repayment of related parties of approximately HK\$0.6 million, repayment from a director of approximately HK\$0.3 million and interest income of approximately HK\$26,000.

For the year ended 31 December 2014, the Group recorded net cash used in investing activities of approximately HK\$0.9 million, primarily as a result of purchase of property, plant and equipment of approximately HK\$1.3 million, advances to related parties of approximately HK\$1.5 million, advance to a director of approximately HK\$8.3 million which is partly offset by repayment of related parties of approximately HK\$15,000, repayment from a director of approximately HK\$10.2 million and interest income of approximately HK\$22,000.

For the three months ended 31 March 2015, the Group recorded net cash used in investing activities of approximately HK\$14.0 million, primarily as a result of purchase of property, plant and equipment of approximately HK\$0.2 million, advances to related parties of approximately HK\$0.5 million, advance to a director of approximately HK\$16.7 million which is partly offset by repayment from a director of approximately HK\$3.4 million and interest income of approximately HK\$2,000.

Net cash used in financing activities

For the year ended 31 December 2013, the Group recorded net cash from financing activities of approximately HK\$0.2 million, primarily as a result of bank borrowings raised of approximately HK\$10.0 million which is partly offset by repayment of bank borrowings of approximately HK\$9.0 million and interest paid of approximately HK\$1.1 million.

For the year ended 31 December 2014, the Group recorded net cash used in financing activities of approximately HK\$2.7 million, primarily as a result of repayment of bank borrowings of approximately HK\$12.9 million and interest paid of approximately HK\$1.6 million which is partly offset by bank borrowings raised of approximately HK\$11.8 million.

For the three months ended 31 March 2015, the Group recorded net cash used in financing activities of approximately HK\$2.4 million, primarily as a result of repayment of bank borrowings of approximately HK\$2.2 million and interest paid of approximately HK\$0.2 million.

FINANCIAL INFORMATION

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		As at
	As at 31 December		31 March
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>
			(unaudited)
Current assets			
Amounts due from customers for contract works	38,036	44,237	38,020
Trade and other receivables	41,958	55,413	34,266
Amounts due from related companies	2,180	3,697	4,200
Amount due from a director	5,964	4,054	7,336
Pledged bank deposit	2,026	2,048	2,050
Bank balances and cash	<u>3,571</u>	<u>10,851</u>	<u>11,922</u>
	93,735	120,300	97,794
			114,508
Current liabilities			
Amounts due to customers for contract works	842	1,039	61
Trade and other payables	41,043	48,503	30,104
Advances from customers	15,093	14,357	20,111
Tax liabilities	3,072	6,558	7,227
Bank borrowings	<u>12,607</u>	<u>10,004</u>	<u>7,759</u>
	72,657	80,461	65,262
			95,578
Net current assets	21,078	39,839	32,532
			18,930

As at 31 December 2013, the Group recorded net current assets of approximately HK\$21.1 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\$38.0 million, trade and other receivables of approximately HK\$42.0 million, amount due from related companies of approximately HK\$2.2 million, amount due from a director of approximately HK\$6.0 million, pledged bank deposit of approximately HK\$2.0 million and bank balances and cash of approximately HK\$3.6 million. The key components of the Group's current liabilities as at 31 December 2013 included amounts due to customers for contract works of approximately HK\$0.8 million, trade and other payables of approximately HK\$41.0 million, advances from customers of approximately HK\$15.1 million, tax liabilities of approximately HK\$3.1 million and borrowings of approximately HK\$12.6 million.

FINANCIAL INFORMATION

As at 31 December 2014, the Group recorded net current assets of approximately HK\$39.8 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\$44.2 million, trade and other receivables of approximately HK\$55.4 million, amount due from related companies of approximately HK\$3.7 million, amount due from a director of approximately HK\$4.1 million, pledged bank deposit of approximately HK\$2.0 million and bank balances and cash of approximately HK\$10.9 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\$1.0 million, trade and other payables of approximately HK\$48.5 million, advances from customers of approximately HK\$14.4 million, tax liabilities of approximately HK\$6.6 million and borrowings of approximately HK\$10.0 million.

As at 31 March 2015, the Group recorded net current assets of approximately HK\$32.5 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\$38.0 million, trade and other receivables of approximately HK\$34.3 million, amount due from related companies of approximately HK\$4.2 million, amount due from a director of approximately HK\$7.3 million, pledged bank deposit of approximately HK\$2.1 million and bank balances and cash of approximately HK\$11.9 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\$61,000, trade and other payables of approximately HK\$30.1 million, advances from customers of approximately HK\$20.1 million, tax liabilities of approximately HK\$7.2 million and borrowings of approximately HK\$7.8 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\$93.7 million as at 31 December 2013 to approximately HK\$120.3 million as at 31 December 2014, which was in turn primarily resulted from the profit for the year of approximately HK\$19.1 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 attributable to the dividend declared to Mr. Ng of HK\$10 million.

Further discussion of the fluctuation in the key components of the Group's net current assets is set forth in the paragraphs below.

As at 31 July 2015, being the latest practicable date for ascertaining the Group's net current assets position, the Group recorded net current assets of approximately HK\$18.9 million. The decrease in the Group's net current assets as at 31 July 2015 compared to that as at 31 March 2015 was mainly due to the dividend declared to Mr. Ng of HK\$12 million.

INVENTORY ANALYSIS

The Group did not maintain inventory as at the end of each year/period during the Track Record Period.

FINANCIAL INFORMATION

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\$42.0 million, HK\$55.4 million and HK\$34.3 million respectively, details of which are set out below:

	As at 31 December 2013 <i>HK\$’000</i>	As at 31 December 2014 <i>HK\$’000</i>	As at 31 March 2015 <i>HK\$’000</i>
Trade receivables	35,881	44,812	21,440
Retention receivables	3,796	8,442	8,173
Other receivables, deposits and prepayments	2,281	2,159	4,653
	41,958	55,413	34,266

The Group’s trade and other receivables increased from approximately HK\$42.0 million as at 31 December 2013 to approximately HK\$55.4 million as at 31 December 2014, representing an increase of approximately 32.1%. Such increase was mainly due to (i) increase in trade receivables and retention receivables from approximately HK\$35.9 million and HK\$3.8 million respectively as at 31 December 2013 to approximately HK\$44.8 million and HK\$8.4 million respectively as at 31 December 2014, as a result of relatively higher amount of work done certified and invoiced to customers for payment in the second half of 2014 as compared with that in the corresponding period of 2013 due to the execution of two contracting projects of large contract sum in the second half of 2014; and (ii) the business growth in 2014 as evidenced by the increase in revenue for the year ended 31 December 2014 as compared with that for the year ended 31 December 2013.

The Group’s trade and other receivables subsequently decreased from approximately HK\$55.4 million as at 31 December 2014 to approximately HK\$34.3 million as at 31 March 2015, representing a decrease of approximately 38.2%. Such decrease was mainly due to (i) decrease in trade receivables from approximately HK\$44.8 million respectively as at 31 December 2014 to approximately HK\$21.4 million as at 31 March 2015, as a result of the relatively lower amount of work done certified and invoiced to customers for payment in the first quarter of 2015 due to seasonal effect as discussed in the paragraph headed “Customers — Seasonality” in the section headed “Business” in this document.

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 contracting and consulting services. Retention receivables represent retention money withheld by some of the Group’s customers, usually 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 generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% at the end of the defect liability period, which is in generally a twelve-month period.

FINANCIAL INFORMATION

Aging analysis and subsequent settlement

The Group does not grant any credit period to its customers from contracting business and allows average credit period ranging from 14 to 45 days to its customer from consulting business.

Long-overdue payments, based on the credit terms of the respective invoices 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.

The aged analysis of the Group's trade receivables for each of contracting service and consulting service based on certification/invoice dates at the end of each reporting period, which approximated the respective revenue recognition dates are as follows:

Contracting Service

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables:			
1-30 days	19,630	20,091	8,198
31-60 days	556	7,834	1,049
61-90 days	367	950	2,541
91-180 days	8,063	1,258	744
Over 180 days	515	3,710	2,488
	29,131	33,843	15,020

FINANCIAL INFORMATION

Consulting Service

	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>
Trade receivables:			
1–30 days	3,192	5,812	2,927
31–60 days	786	2,788	350
61–90 days	847	272	1,676
91–180 days	1,694	987	843
Over 180 days	<u>231</u>	<u>1,110</u>	<u>624</u>
	<u>6,750</u>	<u>10,969</u>	<u>6,420</u>

With respect to trade receivables for contracting service, while the total trade receivable increased from approximately HK\$29.1 million as at 31 December 2013 to approximately HK\$33.8 million as at 31 December 2014, trade receivables aged above 90 days decreased from approximately HK\$8.6 million as at 31 December 2013 to approximately HK\$5.0 million as at 31 December 2014. The trade receivables aged above 180 days increased from approximately HK\$0.5 million as at 31 December 2013 to approximately HK\$3.7 million as at 31 December 2014, which was mainly due to the trade receivables of approximately HK\$2.5 million due from an established property developer in Hong Kong as at 31 December 2014. The total trade receivables for contracting service decreased from approximately HK\$33.8 million as at 31 December 2014 to approximately HK\$15.0 million as at 31 March 2015, which was mainly to the subsequent settlement of the trade receivables as at 31 December 2014 and due to the relatively lower revenue recognised in the three months ended 31 March 2015 due to seasonality effect. With respect to the trade receivables aged above 180 days of approximately HK\$2.5 million as at 31 March 2015, approximately HK\$481,000, or approximately 19.3%, were subsequently settled up to 31 July 2015. Such trade receivables aged above 180 as at 31 March 2015 that remained unsettled as at 31 July 2015 was mainly from the aforementioned established property developer in Hong Kong which based on the Directors' assessment has a good credit standing and had settled approximately HK\$481,000 between 31 March 2015 and 31 July 2015.

With respect to trade receivables for consulting service, while the total trade receivable increased from approximately HK\$6.8 million as at 31 December 2013 to approximately HK\$11.0 million as at 31 December 2014, trade receivables aged above 90 days was approximately HK\$2.1 million as at 31 December 2014, a level similar to that of approximately HK\$1.9 million as at 31 December 2013. The trade receivables aged above 180 days increased from approximately HK\$0.2 million as at 31 December 2013 to approximately HK\$1.1 million as at 31 December 2014, which was mainly due to the trade receivables of approximately HK\$0.8 million which was mainly due from Customer A as at 31 December 2014 which was subsequently settled by January 2015. The total trade receivables for consulting service decreased from approximately HK\$11.0 million as at 31 December 2014 to approximately HK\$6.4 million as at 31 March 2015, which was mainly to the subsequent settlement of the trade receivables as at 31 December 2014 and due to the relatively lower revenue recognised in the three months ended 31 March 2015 due to seasonality effect.

FINANCIAL INFORMATION

Notwithstanding that the Group does not grant any credit period to its customers from contracting business, some of the Group's customers has to undergo internal procedures for the settlement of payments to contractors they engaged for projects, which may have prolonged the timing of settlement and resulted in the Group's trade receivables for contracting services.

Set out below are the subsequent settlements of the Group's trade receivables as at 31 March 2015:

	Trade receivable as at 31 March 2015	Subsequent settlement up to 31 July 2015	Amount remained outstanding as at 31 July 2015
	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Trade receivables:			
1-90 days	16,741	11,574	5,167
91-180 days	1,587	802	785
Over 180 days	3,112	961	2,151
	21,440	13,337	8,103

Up to 31 July 2015, approximately 62.2% of trade receivables as at 31 March 2015 had been settled.

Included in the Group's trade receivables are debtors with a carrying amount of HK\$33,897,000, HK\$39,246,000 and HK\$19,435,000 as at 31 December 2013 and 2014 and 31 March 2015 respectively which are past due but not impaired as at the end of each of the reporting period. Such trade receivables past due but not impaired as at the end of each of the reporting period mainly arose due to the fact that the Group does not grant any credit period to its customers for contracting service, resulting in that account receivable becomes overdue once invoices are issued. For trade receivables past due over 180 days but not impaired for the year ended 31 December 2014 and for the three months ended 31 March 2015, the respective amounts are mainly due from an established property developer in Hong Kong which based on the Directors' assessment has a good credit standing. The Group maintains strict control over its outstanding trade receivables from time to time with long-overdue balances being reviewed regularly. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

	As at 31 December 2013	2014	As at 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue:			
1-30 days	21,116	21,981	9,378
31-60 days	1,677	9,328	2,312
Over 60 days	11,104	7,937	7,745
	33,897	39,246	19,435

FINANCIAL INFORMATION

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are neither past due nor 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 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.

Movement in the allowance for doubtful debts

	As at 31 December		As at
	2013	2014	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 January	—	291	2,365
Impairment losses recognised on trade and retention receivables	291	2,074	—
31 December/31 March	291	2,365	2,365

Trade receivables turnover days

The following table sets out the trade receivables turnover days during the Track Record Period:

	As at 31 December		As at 31
	2013	2014	March
			2015
Trade receivables turnover days (<i>note</i>)	69	74	79

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by cost of services 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 receivables turnover days increased from approximately 69 days as at 31 December 2013 to approximately 74 days as at 31 December 2014. Such increase was mainly as a result of relatively higher amount of work done certified and invoiced to customers for payment in the second half of 2014 as compared with that in the corresponding period of 2013 due to the execution of two contracting projects of large contract sum in the second half of 2014. The trade receivables turnover days increased slightly from approximately 74 days as at 31 December 2014 to approximately 79 days as at 31 March 2015.

FINANCIAL INFORMATION

Retention receivables

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, retention receivables amounted to approximately HK\$291,000, HK\$85,000 and nil were individually determined to be impaired.

Retention receivables net of impairment amounted to approximately HK\$3.8 million, HK\$8.4 million and HK\$8.2 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 31 July 2015, approximately HK\$252,500, or 3.1% of retention receivables as at 31 March 2015 had been subsequently settled. Retention receivables are released by the customers in accordance with the respective agreements with customers, which is generally released as to 50% upon the issue of practical completion certificate and as to the remaining 50% at the end of the defect liability period, which is in generally a twelve-month period. The low subsequent settlement up to 31 July 2015 of retention receivables as at 31 March 2015 is mainly due to the fact that the certificates of completion of making good defects, which will be issued at the end of the defeat liability period when retention monies are released, of the relevant projects of which the retention receivables relate to are yet to be issued. 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	22,672	24,436	14,118
Retention payables	6,626	7,817	7,402
Accrued operating expenses	11,398	13,407	8,057
Other payables	347	2,843	527
	41,043	48,503	30,104
Advances from customers	15,093	14,357	20,111
	56,136	62,860	50,215

Trade payables mainly represent amounts payable to suppliers such as subcontracting charges, subconsulting charges and material costs.

FINANCIAL INFORMATION

Retention payables represent the portion of account payable to the subcontractors that will be released by the Group until the Group receives the corresponding retention money from the customers. All retention payables as at 31 December 2013 and 2014 and 31 March 2015 were expected to be paid or settled in 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 invoices by the subcontractors; and (ii) staff salaries and allowances; and (iii) other office expenses.

The Group’s trade payables increased slightly from approximately HK\$22.7 million as at 31 December 2013 to approximately HK\$24.4 million as at 31 December 2014, which was primarily due to increase in cost of services for the year ended 31 December 2014 as compared with that for the year ended 31 December 2013 due to the execution of two contracting projects of large contract sum in the second half of 2014. The Group’s trade payables decreased from approximately HK\$24.4 million as at 31 December 2014 to approximately HK\$14.1 million as at 31 March 2015, which was primarily due to relatively lower amount of work executed and accordingly lower amount of cost of services incurred in the first quarter of 2015 due to seasonal effect as discussed in the paragraph headed “Customers — Seasonality” in the section headed “Business” in this document.

For the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015, advances from independent third parties are unsecured, interest bearing ranging from 7% to 8% and recoverable on demand. Such advances relate to provision from certain customer pursuant to the clauses under the relevant engagements, where the Group may obtain advances, subject to the predetermined interest rate, from the customer, as main contractor, during the project duration under the engagement.

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>
Trade payables:			
1–30 days	14,117	11,300	2,917
31–60 days	4,151	5,483	1,420
61–90 days	2,987	3,733	5,786
Over 90 days	1,417	3,920	3,995
	22,672	24,436	14,118

FINANCIAL INFORMATION

	Trade payables as at 31 March 2015	Subsequent settlement up to 31 July 2015	Amount remained outstanding as at 31 July 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Trade payables:			
1–60 days	4,337	3,689	648
61–90 days	5,786	1,853	3,933
Over 90 days	3,995	2,802	1,193
	14,118	8,344	5,774

Up to 31 July 2015, approximately 59.1% of the trade payables as at 31 March 2015 had been settled.

The following table sets out the trade payables turnover days during the Track Record Period:

	As at 31 December 2013	2014	As at 31 March 2015
Trade payables turnover days (<i>note</i>)	54	54	55

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year).

During the Track Record Period, the Group's trade payables turnover days remained stable at approximately 54 days, 54 days and 55 days as at 31 December 2013 and 2014 and as at 31 March 2015 respectively.

AMOUNT DUE TO/FROM CUSTOMERS FOR CONTRACT WORK

Amount due to customers for contract work represents construction 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 exceed progress billings, an amount due from customers for contract work will be recognised as the Group's current assets.

FINANCIAL INFORMATION

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 2013 <i>HK\$'000</i>	As at 31 December 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	197,733	257,109	232,854
Less: progress billings	(160,539)	(213,911)	(194,895)
	37,194	43,198	37,959
Of which:			
Amounts due from customers for contract works	38,036	44,237	38,020
Amounts due to customers for contract works	(842)	(1,039)	(61)
	37,194	43,198	37,959

AMOUNT DUE FROM A DIRECTOR/RELATED COMPANIES

Amount due from a shareholder represented amount due from Mr. Ng to the Group. Such amount is unsecured, interest-free and repayable on demand. In April 2015, the Group declared special dividends in the aggregate amount of HK\$12 million to Mr. Ng. The Group financed the partial payment of such dividends by offsetting the entire amount due from Mr. Ng, with the remaining balance of HK\$3.8 million repaid by the Group's internal resources in May 2015.

Amount due from related companies represent amount due from companies wholly-owned by Mr. Ng during the Track Record Period. All the amounts are non trade-related, unsecured, interest-free and repayable on demand. The remaining balance due were fully settled after 31 March 2015.

TAX LIABILITIES

The Group's income tax expenses for the two years ended 31 December 2013 and 2014 and for the three months ended 31 March 2015 were approximately HK\$2.4 million, HK\$4.1 million and HK\$0.7 million respectively. The Group's tax liabilities as at 31 December 2013, 31 December 2014 and 31 March 2015 were approximately HK\$3.1 million, HK\$6.6 million and HK\$7.2 million, respectively.

FINANCIAL INFORMATION

The Group’s income tax paid during the year ended 31 December 2013 was approximately HK\$0.9 million and during the year ended 31 December 2014 was approximately HK\$0.6 million. Such income taxes paid were assessed and computed by the IRD based on tax returns filed by the Group for the respective years of assessment, which were in turn prepared by the Group in accordance with the statutory financial information of the Group’s subsidiaries for the years ended 31 December 2012 and 31 December 2013 audited by the Group’s predecessor auditors. During the Track Record Period, the Group has fully settled its tax liabilities as required by the then assessment raised by the IRD amounting to approximately HK\$0.9 million for the year of assessment 2012/2013 and approximately HK\$0.6 million for the year of assessment 2013/2014.

In preparation of the financial information of the Group for the year ended 31 December 2014, the management of the Company had identified cut-off errors, being accounting errors in relation to the recognition of the contract revenue and the corresponding cost, in the statutory financial information of the Group’s subsidiaries for the years ended 31 December 2012 and 31 December 2013. Such accounting errors arose as certain revenue recognised in the Group’s management accounts for the year ended 31 December 2014 should be recognised in prior years ended 31 December 2012/31 December 2013 based on the percentage of completion method, which is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs during the year/period. Such revenue, with the corresponding costs incurred during the years ended 31 December 2012/31 December 2013, were not recognised in such statutory financial information for the respective financial years. The Directors consider that such accounting errors made in the statutory financial information of the Group’s subsidiaries was mainly due to the lack of competent accounting staff maintained by the Group for its accounting function during the preparation of the statutory financial information. Measures to prevent the reoccurrence of such accounting errors is discussed in the paragraph headed “Internal control” in the section headed “Business” in this document.

Relevant adjustments have been made to the revenue and cost of services of the Group for the years ended 31 December 2012 and 31 December 2013, and accordingly, relevant adjustments have also been made to the income tax expenses, and the income tax expenses for the year ended 31 December 2013 was approximately HK\$2.4 million. The Group’s tax liabilities as at 31 December 2013, 31 December 2014 and 31 March 2015 of approximately HK\$3.1 million, HK\$6.6 million and HK\$7.2 million respectively include income tax payable of approximately HK\$2.9 million arising from the adjustment to the income tax expenses for the years ended 31 December 2012 and 31 December 2013.

As a result of the foregoing, the revenue of the Group for the year ended 31 December 2013 under the Accountants’ Report is higher than that reflected in the statutory financial information of the Group’s subsidiaries which were used in filing tax return to the IRD for the respective years of assessment, i.e. there were understatements in the profits reported in the tax return filed by the Group for the year of assessment 2012/2013 and 2013/2014, and the resulted tax undercharged were approximately HK\$1.4 million and HK\$1.5 million for the year of assessment 2012/2013 and 2013/2014, respectively. The amount of tax undercharged is subject to the assessment of the IRD. The Controlling Shareholders have agreed to indemnify the Group in respect of any further tax liability and/or the resulting penalty or surcharge as assessed by the IRD in relation to the tax undercharged for the years of assessment 2012/2013 and 2013/2014 for which the Group may be liable. For details in relation to the indemnity, please refer to the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this document.

FINANCIAL INFORMATION

In this regard, the Group has obtained a Hong Kong tax opinion (the “**Tax Opinion**”) issued by Edwin Yeung & Company (CPA) Limited with respect to the amount of Tax Undercharged and the potential penalty that may be imposed on the Group by the IRD. According to the Tax Opinion, Edwin Yeung & Company (CPA) Limited opines that the case of the Tax Undercharge of the Group should fall into the category of “Fail to exercise reasonable care” under “voluntary disclosure” as there is no evidence to show that it is a “Deliberate cover-up” or “Recklessness” case, and that the penalty would be in the range of 5% to 8% of the Tax Undercharged, whereas the maximum tax penalty is 30% of the Tax Undercharged. For illustrative purposes only, the penalty of 5% on the Tax Undercharged would be approximately HK\$150,000, whereas the penalty of 30% on Tax Undercharged would be approximately HK\$870,000.

The Group has made a filing to the IRD for tax reassessment for the relevant years of assessment upon the issue of statutory financial statements on 25 August 2015. The Company has yet to receive response from the IRD in this regard as at the Latest Practicable Date.

With respect to the aforesaid accounting errors, the Directors consider that it was mainly due to the then lack of competent accounting staff maintained by the Group for the accurate recognition of revenue based on the percentage of completion method during the preparation of the statutory financial information. Baker Tilly has reviewed the accounting system of the Group and was of the view that the Group has maintained adequate accounting system without material deficiency. The Group appointed Mr. Yu Tsz Ngo, a Certified Public Accountant, as the company secretary of the Company on 15 May 2015, to oversee the company secretarial matters and also the accounting function of the Group. Given that (i) Baker Tilly has reviewed Mr. Yu Tsz Ngo’s professional qualification and prior experience in the accounting and auditing industry, and is of the view that, as concurred by the Sponsor; and (ii) the Directors are of the view that, as concurred by the Sponsor, notwithstanding that Mr. Yu Tsz Ngo had no prior experience in overseeing the accounting function of construction company, having considered Mr. Yu Tsz Ngo’s 8 years of experience in the accounting and auditing industry, particularly 5 years of tenure in Deloitte Touche Tohmatsu during which Mr. Yu Tsz Ngo had provided audit services to construction companies in Hong Kong and have garnered him expertise and experience in preparing financial information in compliance with the Hong Kong Financial Reporting Standards, Mr. Yu Tsz Ngo is competent to oversee the accounting function of the Group to ensure compliance with the Hong Kong Financial Reporting Standards and prevent the reoccurrence of similar accounting errors in the preparation of the Group’s financial statements.

FINANCIAL INFORMATION

INDEBTEDNESS

Save as disclosed below or as otherwise disclosed herein, the Group did not have any outstanding loan capital issued and outstanding, and authorised or otherwise created but unissued, terms loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, finance lease commitments, borrowings and debt, mortgages, charges, guarantees or other material contingent liabilities at the close of business on 31 July 2015.

	As at 31 December 2013 <i>HK\$'000</i>	As at 31 December 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 July 2015 <i>HK\$'000</i> (unaudited)
Current:				
Bank borrowings	11,123	10,004	7,759	1,148
Bank overdrafts	1,484	—	—	—
	12,607	10,004	7,759	1,148

During the Track Record Period and as of 31 July 2015, bank borrowings were secured by the personal guarantee of HK\$14 million from Mr. Ng and the guarantee of HK\$11.2 million from the Government under the Special Loan Guarantee Scheme. Such bank borrowings carry interest at 1.5% per annum over the 3 months Hong Kong Interbank Offer Rate, 0.5% per annum below HK\$ prime rate and 1% per annum below HK\$ prime rate offered by respective banks. During the Track Record Period, the Group did not have any difficulty in obtaining bank borrowings.

Save as disclosed above, the Group did not have any other security or guarantee provided for bank borrowings as at 31 July 2015.

During the Track Record Period, bank overdrafts were secured by the personal guarantee of HK\$2 million from Mr. Ng and a pledged bank deposit.

Personal guarantees provided by Mr. Ng in respect of all bank loans and overdrafts will be released and replaced by a corporate guarantee provided by the Company upon [REDACTED].

During the Track Record Period, the Group has obtained advances from its customers, which are generally subject to an interest rate of up to P+3%, where P is the Hong Kong Dollar Prime Rate effective from time to time. As at 31 December 2013, 31 December 2014 and 31 March 2015, advances from customers (with any interests accrued thereon) were approximately HK\$15.1 million, HK\$14.4 million and HK\$20.1 million, respectively.

As at the Latest Practicable Date, the Group did not have any plan to raise material external debt financing.

FINANCIAL INFORMATION

Surety bonds and contingent liability

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for performance of contract works in the form of surety bonds. The Group provided a counter-indemnity to the bank or insurance company that issues such surety bonds.

As at 31 July 2015, the outstanding amount of surety bonds was approximately HK\$3,473,000.

BANKING FACILITIES

As at 31 July 2015, the Group had total banking facilities, excluding non-revolving loan, of approximately HK\$18 million, of which approximately HK\$3.5 million had been utilised for surety bonds with the remaining balance of approximately HK\$14.5 million unutilised. In addition, the Group had total non-revolving loans of approximately HK\$5 million, of which approximately HK\$1.0 million had been utilised with the remaining balance of approximately HK\$4.0 million had been repaid.

The banking facilities and revolving loans are secured by personal guarantees from Mr. Ng. The banking facilities are utilised for the issuance of the surety bond, no amount is actually drawn down by the Group for such issuance. The surety bond is released after completion of the project. The aforesaid guarantees on the banking facilities and revolving loans will be replaced by corporate guarantee of the Company upon [REDACTED].

Please refer to the paragraph headed “Independence from the Controlling Shareholders — Financial independence” in the section headed “Relationship with the Controlling Shareholders” in this [REDACTED] for further details in relation to the release of personal guarantees from Mr. Ng for the banking facilities and revolving loans.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents, comprising bank balances and cash, pledged bank deposit and bank overdrafts, increased from approximately HK\$4.1 million as at 31 December 2013 to approximately HK\$12.9 million as at 31 December 2014 was mainly attributable to the profit for the year of approximately HK\$19.1 million in the year ended 31 December 2014. The cash and cash equivalents maintained stable from approximately HK\$12.9 million as at 31 December 2014 to approximately HK\$14.0 million as at 31 March 2015.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

As at the Latest Practicable Date, the Group did not have any off-balance sheet arrangements or commitments.

FINANCIAL INFORMATION

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 31 July 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 not subject to fulfillment of covenants relating to the financial ratio requirements or any other material covenants which could adversely affect the Group's ability to undertake additional debt or equity financings; 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 the paragraph headed "Indebtedness" in this section, the Group did not have, at the close of business on 31 July 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.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 March 2015, please refer to Note 35 to the Accountants' Report set forth in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

	For the year ended/ As at 31 December		For the three months ended/ As at 31 March
	2013	2014	2015
Return on total assets	12%	16%	3%
Return on equity	50%	46%	8%
Current ratio	1.29	1.49	1.49
Gearing ratio	1.23	0.59	0.81

FINANCIAL INFORMATION

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 (including advances from customers) divided by total equity as at the respective reporting date.

Key financial ratios

Return on total assets

The return on total assets increased from approximately 12% in 2013 to approximately 16% in 2014. The increase in return on total assets from 2013 to 2014 was attributable to the increase in profit from approximately HK\$11.3 million in the year ended 31 December 2013 to approximately HK\$19.1 million in the year ended 31 December 2014 which represented approximately 69.4% increase. Such increase was primarily resulted from the increasing contribution of consulting services from approximately HK\$29.8 million revenue in the year ended 31 December 2013 to approximately HK\$41.4 million revenue in the year ended 31 December 2014 and the consulting services of the Group has a higher margin comparing with the contracting services of the Group. The return on total assets for the three months ended 31 March 2015 was approximately 3%.

Return on equity

The return on equity decreased from approximately 50% in 2013 to approximately 46% in 2014. The decrease in return on equity from 2013 to 2014 was attributable to the relatively high equity as at 31 December 2014 comparing with 31 December 2013 which outweighed the increase in profit from approximately HK\$11.3 million in the year ended 31 December 2013 to approximately HK\$19.1 million in the year ended 31 December 2014. The return on equity for the three months ended 31 March 2015 was approximately 8%.

Current ratio

The current ratio increased from approximately 1.29 times as at 31 December 2013 to 1.49 times as at 31 December 2014. The increase was mainly attributable to the profit in the year ended 31 December 2014 which improved the working capital position of the Group. The current ratio as at 31 March 2015 maintained at a similar level of approximately 1.49 times.

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Gearing ratio

The gearing ratio decreased from approximately 1.23 in 2013 to approximately 0.59 in 2014. The decrease in gearing ratio was attributable by the decrease of bank borrowings from approximately HK\$12.6 million as at 31 December 2013 to approximately HK\$10.0 million as at 31 December 2014 and the increase in equity from approximately HK\$22.4 million as at 31 December 2013 to approximately HK\$41.6 million as at 31 December 2014. The gearing ratio increased from approximately 0.59 as at 31 December 2014 to approximately 0.81 as at 31 March 2015. The increase was mainly attributable to the increase of advances from customers from approximately HK\$14.4 million as at 31 December 2014 to approximately HK\$20.1 million as at 31 March 2015 which outweighed the decrease of bank borrowings from approximately HK\$10.0 million as at 31 December 2014 to approximately HK\$7.8 million as at 31 March 2015.

CAPITAL EXPENDITURES AND COMMITMENTS

Operating Lease Commitments

The Group as lessee

At the end of respective reporting periods, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	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>
Within one year	607	4,006	3,994
In the second to fifth year inclusive	204	2,190	1,201
	811	6,196	5,195

The leases are generally negotiated for a lease term of 2 years at fixed rentals.

SURETY BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for performance of contract works in the form of surety bonds. The Group provided a counter-indemnity to the bank or insurance company that issues such surety bonds. For the year ended 31 December 2013, the Group paid a cash collateral of approximately HK\$551,000 to the insurance company to issue surety bonds.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the amount of surety bonds provided by the Group were approximately HK\$1,378,000, HK\$1,772,000 and HK\$3,650,000 respectively.

FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

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 consolidated 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 [REDACTED] 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

Since the Group’s transactions are mainly denominated in Hong Kong Dollar, the Directors are of the opinion that the Group’s exposure to foreign exchange risk is minimal. Other than that, the Company was incorporated on 19 March 2015. As at 31 March 2015, the Company had no distributable reserves available for distribution to the Shareholders.

RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed “Related party disclosures” in note 32 of the notes to the Accountants’ Report in Appendix I to this document.

FINANCIAL INFORMATION

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.

Market risk

The Group’s major financial instruments include amount due from a director, amounts due from related companies, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances, advances from customers and bank borrowings. The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the Best Lending Rate arising from, advances from customers and bank borrowings.

The Group’s exposure to interest rates on financial liabilities are detailed in the paragraph headed “Liquidity risk” in this section. The Directors consider that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances and the Best Lending Rate on advances from customers and bank borrowings is minimal. Accordingly, no sensitivity analysis is prepared and presented.

Credit risk

At the end of respective reporting periods, 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 provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group has reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group’s credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2013, 2014 and 31 March 2015 on trade and retention receivables from the Group’s five major customers amounting to HK\$21,391,000, HK\$28,310,000 and HK\$4,650,000 respectively and accounted for 54%, 53% and 16% of the Group’s total trade and retention receivables. The major customers of the Group are certain reputable organisations. The Directors consider that the credit risk is limited in this regard.

FINANCIAL INFORMATION

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate.

The following table details the Group's remaining contractual maturity for its 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.

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value at 31.12.2013 HK\$'000
At 31 December 2013				
Trade and other payables	—	29,298	29,298	29,298
Bank borrowings				
— variable-rate bank borrowings	2.53	11,123	11,123	11,123
— bank overdrafts	5.00	1,484	1,484	1,484
		41,905	41,905	41,905
	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value at 31.12.2014 HK\$'000
At 31 December 2014				
Trade and other payables	—	32,253	32,253	32,253
Variable-rate bank borrowings	3.66	10,004	10,004	10,004
		42,257	42,257	42,257

FINANCIAL INFORMATION

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value at 31.03.2015 HK\$'000
At 31 March 2015				
Trade and other payables	—	21,520	21,520	21,520
Variable-rate bank borrowings	3.08	<u>7,759</u>	<u>7,759</u>	<u>7,759</u>
		<u>29,279</u>	<u>29,279</u>	<u>29,279</u>

Bank borrowings with a repayment on demand clause are included in the “repayable on demand or less than 3 months” time band in the above maturity analysis. As at 31 December 2013 and 2014 and 31 March 2015, the aggregate undiscounted principal amounts of these bank borrowings (other than bank overdrafts) amounted to HK\$11,123,000, HK\$10,004,000 and HK\$7,759,000 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 one to three years after the end of the Track Record Period in accordance with the scheduled repayment dates set out in the loan agreements. Taking into account the cash flow from the operations of the Group, the Group would also be able to repay any bank borrowings with the Group’s internal resources as and when necessary. Aggregate principal and interest cash outflows are set out below:

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	3-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2013							
Bank borrowings							
— variable rate	2.53	<u>5,360</u>	<u>2,416</u>	<u>2,981</u>	<u>700</u>	<u>11,457</u>	<u>11,123</u>
At 31 December 2014							
Bank borrowings							
— variable rate	3.66	<u>2,725</u>	<u>6,765</u>	<u>442</u>	<u>258</u>	<u>10,190</u>	<u>10,004</u>
At 31 March 2015							
Bank borrowings							
— variable rate	3.08	<u>4,471</u>	<u>2,863</u>	<u>442</u>	<u>147</u>	<u>7,923</u>	<u>7,759</u>

FINANCIAL INFORMATION

DIVIDEND POLICY

The Group did not declare any dividend in the two years ended 31 December 2013 and 2014. The dividend declared by the Company’s subsidiary to its then shareholder during the three months ended 31 March 2015 amounted to HK\$10 million. In April 2015, the Group declared special dividends in the aggregate amount of HK\$12 million to Mr. Ng. The Group financed the partial payment of such dividends by offsetting the entire amount due from Mr. Ng, with the remaining balance of HK\$3.8 million repaid by the Group’s internal resources in May 2015. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this document.

The Company currently does not have a fixed dividend policy and may declare dividends byway of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend declaration of 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 OF THE GROUP

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed “Business strategies” under the section headed “Business” 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 paragraphs headed “Bases and assumptions” in this section. 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 developing the Group’s contracting and consulting business | <ul style="list-style-type: none">● Undertake more projects for the contracting 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● Continue to further marketing of contracting and consulting services in the alteration and addition industry in Hong Kong● Study the feasibility of holding exhibition, conference, sponsorship, design competition to enhance the Group’s reputation in the market |
| Further expanding the scope of services | <ul style="list-style-type: none">● Recruit 2–3 relevant staff and prepare relevant submission documents for the registration as a registered specialist contractor (foundation) in order to provide contracting service to include foundation works. |
| Further strengthening the Group’s in-house team of professional staff | <ul style="list-style-type: none">● Recruit 2–3 additional middle to senior level surveying and engineering staff to cope with the business development and the plan to further develop the Group’s contracting and consulting business● Sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties |

STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

For the six months ending 30 June 2016

- | | |
|---|---|
| Further developing the Group's contracting and consulting business | <ul style="list-style-type: none">● Undertake more projects for the contracting 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● Continue to further marketing of contracting and consulting services in the alteration and addition industry in Hong Kong● Commence the preparation of holding exhibition, conference, sponsorship and/or design competition to enhance the Group's reputation in the market |
| Further expanding the scope of services | <ul style="list-style-type: none">● Submit the registration as a registered specialist contractor (foundation) in order to provide contracting service to include foundation works |
| Further strengthening the Group's in-house team of professional staff | <ul style="list-style-type: none">● Continue to 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 developing the Group's contracting and consulting business | <ul style="list-style-type: none">● Undertake more projects for the contracting 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● Continue to further marketing of contracting and consulting services in the alteration and addition industry in Hong Kong● Hold exhibition, conference, sponsorship and/or design competition to enhance the Group's reputation in the market |
| Further expanding the scope of services | <ul style="list-style-type: none">● Complete the registration as a registered specialist contractor (foundation) and commence such business |
| Further strengthening the Group's in-house team of professional staff | <ul style="list-style-type: none">● Continue to sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties |

STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

For the six months ending 30 June 2017

- | | |
|---|--|
| Further developing the Group's contracting and consulting business | <ul style="list-style-type: none">● Undertake more projects for the contracting 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● Continue to further marketing of contracting and consulting services in the alteration and addition industry in Hong Kong● Continue to hold exhibition, conference, sponsorship and/or design competition to enhance the Group's reputation in the market |
| Further expanding the scope of services | <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 in-house team of professional staff | <ul style="list-style-type: none">● Continue to 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 developing the Group's contracting and consulting business | <ul style="list-style-type: none">● Undertake more projects for the contracting 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● Continue to further marketing of contracting and consulting services in the alteration and addition industry in Hong Kong● Continue to hold exhibition, conference, sponsorship and/or design competition to enhance the Group's reputation in the market |
| Further expanding the scope of services | <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 in-house team of professional staff | <ul style="list-style-type: none">● Continue to sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties |

STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

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) there will be no material changes in the bases 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;
- (c) the [REDACTED] will be completed in accordance with and as described in the section headed “Structure and conditions of the [REDACTED]” to this document;
- (d) the Group is able to retain its customers and suppliers;
- (e) the Group will be able to retain key staff in the management and the main operational departments;
- (f) the Group will not be materially affected by any risk factors set out in the section headed “Risk factors” in this document; 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 [REDACTED]

The Directors believe that the [REDACTED] of the Shares on GEM will enhance its corporate profile and brand image and the [REDACTED] 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” in this section. Furthermore, a public [REDACTED] status on the Stock Exchange will offer the Company access to capital market for corporate finance exercise to assist in future business development, enhance its corporate profile and strengthen its competitiveness.

The [REDACTED] from the [REDACTED] based on the [REDACTED] Price of HK\$[REDACTED] per Share, after deducting the related expenses, are estimated to be approximately HK\$[REDACTED] million. The Directors presently intend that the [REDACTED] will be applied as follows:

- approximately [REDACTED] of the [REDACTED] or approximately HK\$[REDACTED] million, for further developing the Group’s contracting and consulting business;
- approximately [REDACTED] of the [REDACTED] or approximately HK\$[REDACTED] million, for further expanding the scope of services;

STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

- approximately [REDACTED] of the [REDACTED] or approximately HK\$[REDACTED] million, for further strengthening the Group’s in house team of professional staff; and
- approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, for use as general working capital of the Group.

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 [REDACTED] from the [REDACTED] as follows:

	From the Latest Practicable Date		For the six months ending			
	to					
	31 December	30 June	31 December	30 June	31 December	Total
	2015	2016	2016	2017	2017	
	<i>HK\$’million</i>	<i>HK\$’million</i>	<i>HK\$’million</i>	<i>HK\$’million</i>	<i>HK\$’million</i>	<i>HK\$’million</i>
Further developing the Group’s contracting and consulting business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further expanding the scope of services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening the Group’s in house team of professional staff	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The Directors consider that the [REDACTED] 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.

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

UNDERWRITING

UNDERWRITER

Underwriter

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting agreement

Pursuant to the Underwriting Agreement, the Company is [REDACTED] at the [REDACTED] Price for [REDACTED]. Subject to, among other matters, the Listing Division granting the [REDACTED] 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 [REDACTED] 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 Lead Manager (also in its capacity as the Underwriter may agree), the Underwriter has agreed to subscribe and/or procure subscribers for the [REDACTED] Shares on the terms and conditions under the [REDACTED] and in this document.

Grounds for termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Commission and expenses

The Underwriter will receive a commission of [REDACTED]% on the aggregate [REDACTED] Price of all the [REDACTED] Shares 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 of approximately HK\$[REDACTED] million will be payable by the Company and the Selling Shareholder based on the proportion of the [REDACTED] New Shares and [REDACTED] Sale Shares offered by the Company and the Selling Shareholder respectively. The total expenses (excluding the underwriting commission) in connection with the [REDACTED], which are expected to amount to approximately HK\$[REDACTED] million, are borne by the Company.

Underwriter's interests in the Company

Save for its interests and obligations under the [REDACTED] and save as disclosed in this document, none of the Underwriter 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 [REDACTED] 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 [REDACTED] 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]

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

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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

[23 September 2015]

The Directors
FDB Holdings Limited
Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to FDB Holdings Limited (the “Company”) and its subsidiaries (herein collectively referred to as the “Group”) for each of the two years ended 31 December 2014 and the three months ended 31 March 2015 (the “Track Record Period”) (the “Financial Information”) for inclusion in the document of the Company dated [23 September 2015] (the “Document”) issued in connection with the proposed initial [REDACTED] of the Company’s shares (the “[REDACTED]”) on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company, which acts as an investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 March 2015. Pursuant to a corporate reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in the Document (the “Group Reorganisation”), the Company became the holding company of the companies now comprising the Group on 31 March 2015.

All the subsidiaries now comprising the Group have adopted 31 December as the financial year end date.

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiaries	Place and date of incorporation	Equity interest attributable to the Group				Issued and fully paid share capital	Principal activities
		At 31 December 2013	2014	At 31 March 2015	At date of this report		
FDB & Associates Limited (“FDB & Associates”)	British Virgin Island (“BVI”) 25 February 2015	N/A	N/A	100%	100%	Ordinary share US\$1	Investment holding

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ACCOUNTANTS’ REPORT

Name of subsidiaries	Place and date of incorporation	Equity interest attributable to the Group				Issued and fully paid share capital	Principal activities
		At 31 December 2013	31 March 2014	At 31 March 2015	At date of this report		
Fruit Design & Build Limited (“Fruit Design”)	Hong Kong 7 December 2006	100%	100%	100%	100%	Ordinary shares HK\$1	Contracting business and provision of building consultancy services
Harvest Building Consultancy Limited (“Harvest Building”)	Hong Kong 11 July 2011	100%	100%	100%	100%	Ordinary shares HK\$1	Provision of building consultancy services
Win Lee Building Engineering Limited (“Win Lee Building”)	Hong Kong 10 May 1999	100%	100%	100%	100%	Ordinary shares HK\$1,000,000	Contracting business and project management mainly for property refurbishment and renovation
Marvo Architecture Limited (“Marvo Architecture”)	Hong Kong 27 November 2013	100%	100%	100%	100%	Ordinary shares HK\$1	Inactive
Solomono Consulting & Contracting Limited (“Solomono”)	Hong Kong 16 April 2014	N/A	100%	100%	100%	Ordinary shares HK\$1	Inactive
Sky Global Construction Limited (“Sky Global”)	Hong Kong 25 April 2014	N/A	100%	100%	100%	Ordinary shares HK\$1	Contracting business and project management mainly for property refurbishment and renovation
Win Lee (Project Team B) Construction Limited (“Win Lee (Project Team B)”)	Hong Kong 14 April 2014	N/A	100%	100%	100%	Ordinary shares HK\$1	Inactive

Other than FDB & Associates which is wholly-owned and held directly by the Company, all other subsidiaries are indirectly held by the Company.

No audited financial statements have been prepared for the Company and FDB & Associates since their respective dates of incorporation, as they have not carried out any business or there are no statutory audit requirements.

For the purpose of this report, we have, however, reviewed the relevant transactions of FDB & Associates since its date of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to this Company in this report.

The statutory financial statements of Fruit Design, Win Lee Building and Harvest Building for the year ended 31 December 2013 were prepared in accordance with the Hong Kong Financial Reporting Standard (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by Yip Wing Ho & Co., Certified Public Accountants.

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ACCOUNTANTS' REPORT

The statutory financial statements of Fruit Design, Win Lee Building, Harvest Building for the year ended 31 December 2014 were prepared in accordance with the HKFRS and were audited by Deloitte Touche Tohmatsu.

The statutory financial statements of Marvo Architecture, Solomon, Sky Global and Win Lee (Project Team B) from their respective dates of incorporation to 31 December 2014 were prepared in accordance with HKFRS issued and were audited by Deloitte Touche Tohmatsu.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Track Record Period, in accordance with HKFRSs (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried our procedures which we considered necessary 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. No adjustments were considered necessary to the Underlying Financial Statements in preparing the Financial Information for inclusion in the document.

The Underlying Financial Statements are the responsibility of the Directors who approved their issue. The Directors 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 2 to Section A, the Financial Information gives, for the purpose of this report, a true and fair view of the Group's financial position as at 31 December 2013 and 2014 and 31 March 2015 and the Company's financial position as at 31 March 2015, and of the financial performance and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the three months ended 31 March 2014 together with the notes thereon have been extracted from the unaudited consolidated financial information for the same period (the "Interim Financial Information") which was prepared by the Directors solely for the purpose of this report. We have conducted our review of the Interim Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA. Our review of the Interim Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting 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 on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim 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 to HKFRSs.

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ACCOUNTANTS' REPORT

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Year ended 31 December		Three months 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	8	191,961	199,554	37,848	37,433
Cost of services		<u>(162,617)</u>	<u>(160,490)</u>	<u>(31,326)</u>	<u>(29,983)</u>
Gross profit		29,344	39,064	6,522	7,450
Other income	9	100	693	100	2
Other losses	10	(3,049)	(2,562)	(1,989)	—
[REDACTED] expenses		—	—	—	(593)
Administrative expenses		(11,584)	(12,359)	(2,716)	(3,247)
Finance costs	11	<u>(1,132)</u>	<u>(1,622)</u>	<u>(450)</u>	<u>(150)</u>
Profit before tax	12	13,679	23,214	1,467	3,462
Income tax expense	15	<u>(2,391)</u>	<u>(4,094)</u>	<u>(238)</u>	<u>(669)</u>
Profit and total comprehensive income for the year/period		<u>11,288</u>	<u>19,120</u>	<u>1,229</u>	<u>2,793</u>
Earnings per share, basic (<i>HK cents</i>)	16	<u>[1.0]</u>	<u>[1.8]</u>	<u>[0.1]</u>	<u>[0.3]</u>

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ACCOUNTANTS' REPORT

Consolidated Statements of Financial Position

		The Group		As at	The Company
		Year ended 31 December	2014	31 March	As at
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>	31 March
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Investment in a subsidiary	17	—	—	—	—
Property, plant and equipment	18	1,502	1,903	2,003	—
		<u>1,502</u>	<u>1,903</u>	<u>2,003</u>	<u>—</u>
Current assets					
Amounts due from customers					
for contract works	19	38,036	44,237	38,020	—
Trade and other receivables	20	41,958	55,413	34,266	1,195
Amounts due from					
related companies	21	2,180	3,697	4,200	—
Amount due from a director	22	5,964	4,054	7,336	—
Pledged bank deposit	23	2,026	2,048	2,050	—
Bank balances and cash	23	3,571	10,851	11,922	—
		<u>93,735</u>	<u>120,300</u>	<u>97,794</u>	<u>1,195</u>
Current liabilities					
Amounts due to customers					
for contract works	19	842	1,039	61	—
Trade and other payables	24	41,043	48,503	30,104	—
Advances from customers	24	15,093	14,357	20,111	—
Amount due to a subsidiary	25	—	—	—	1,788
Tax liabilities		3,072	6,558	7,227	—
Bank borrowings	26	12,607	10,004	7,759	—
		<u>72,657</u>	<u>80,461</u>	<u>65,262</u>	<u>1,788</u>
Net current assets (liabilities)		<u>21,078</u>	<u>39,839</u>	<u>32,532</u>	<u>(593)</u>
Total assets less current liabilities		<u>22,580</u>	<u>41,742</u>	<u>34,535</u>	<u>(593)</u>
Non-current liability					
Deferred tax liabilities	28	146	188	188	—
Net assets (liabilities)		<u>22,434</u>	<u>41,554</u>	<u>34,347</u>	<u>(593)</u>
Capital and reserves					
Share capital	27	1,000	1,000	—	—
Reserves		<u>21,434</u>	<u>40,554</u>	<u>34,347</u>	<u>(593)</u>
Total equity		<u>22,434</u>	<u>41,554</u>	<u>34,347</u>	<u>(593)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated Statements of Changes in Equity

	Share Capital <i>HK\$’000</i>	Other reserve <i>HK\$’000</i> <i>(Note)</i>	Retained earnings <i>HK\$’000</i>	Total <i>HK\$’000</i>
At 1 January 2013	1,000	—	10,146	11,146
Profit and total comprehensive income recognised for the year	<u>—</u>	<u>—</u>	<u>11,288</u>	<u>11,288</u>
At 31 December 2013	<u>1,000</u>	<u>—</u>	<u>21,434</u>	<u>22,434</u>
Profit and total comprehensive income recognised for the year	<u>—</u>	<u>—</u>	<u>19,120</u>	<u>19,120</u>
At 31 December 2014	1,000	—	40,554	41,554
Profit and total comprehensive income recognised for the period	—	—	2,793	2,793
Dividend recognised as distribution <i>(Note 14)</i>	—	—	(10,000)	(10,000)
Adjustments arising from the Group Reorganisation <i>(Note)</i>	<u>(1,000)</u>	<u>1,000</u>	<u>—</u>	<u>—</u>
At 31 March 2015	<u>—</u>	<u>1,000</u>	<u>33,347</u>	<u>34,347</u>
At 1 January 2014	1,000	—	21,434	22,434
Profit and total comprehensive income recognised for the period	<u>—</u>	<u>—</u>	<u>1,229</u>	<u>1,229</u>
At 31 March 2014 (unaudited)	<u>1,000</u>	<u>—</u>	<u>22,663</u>	<u>23,663</u>

Note: As part of the Group Reorganisation (as defined in note 2), there are series of restructuring within the Group mainly involved interspersing investment holding entities between the operating subsidiaries and the Controlling Shareholder (as defined in note 2). The difference between the Company’s share capital and the combined share capital of Fruit Design, Harvest Building, Win Lee Building, Marvo Architecture, Solomon, Sky Global and Win Lee (Project Team B) was credited to other reserve.

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ACCOUNTANTS' REPORT

Consolidated Statements of Cash Flows

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
OPERATING ACTIVITIES				
Profit before tax	13,679	23,214	1,467	3,462
Adjustments for:				
Depreciation of property, plant and equipment	335	410	122	147
Impairment losses recognised on trade and retention receivables	291	2,074	1,989	—
Finance costs	1,132	1,622	450	150
Net loss on write off of property, plant and equipment	—	488	—	—
Interest income	(26)	(22)	—	(2)
Operating cash flows before movements in working capital	15,411	27,786	4,028	3,757
(Increase) decrease in amounts due from customers for contract works	(17,947)	(6,201)	5,312	6,217
(Increase) decrease in trade and other receivables	(8,822)	(15,529)	7,445	21,147
Increase (decrease) in amounts due to customers for contract works	842	197	1,447	(978)
Increase (decrease) in trade and other payables	20,014	6,724	(16,271)	(12,645)
Cash generated from operations	9,498	12,977	1,961	17,498
Income tax paid	(931)	(566)	—	—
NET CASH FROM OPERATING ACTIVITIES	8,567	12,411	1,961	17,498

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ACCOUNTANTS' REPORT

	Year ended 31 December		Three months ended 31 March	
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i>
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,261)	(1,299)	(186)	(247)
Advances to related parties	(1,524)	(1,532)	(1,172)	(503)
Repayments from related parties	620	15	—	—
Advance to a director	(2,644)	(8,320)	(1,683)	(16,697)
Repayment from a director	309	10,230	1,012	3,415
Interest income	<u>26</u>	<u>22</u>	<u>—</u>	<u>2</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(4,474)</u>	<u>(884)</u>	<u>(2,029)</u>	<u>(14,030)</u>
FINANCING ACTIVITIES				
Interest paid	(1,132)	(1,622)	(450)	(150)
Bank borrowings raised	9,950	11,821	2,000	—
Repayment of bank borrowings	<u>(9,000)</u>	<u>(12,940)</u>	<u>(4,196)</u>	<u>(2,245)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(182)</u>	<u>(2,741)</u>	<u>(2,646)</u>	<u>(2,395)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,911	8,786	(2,714)	1,073
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	<u>202</u>	<u>4,113</u>	<u>4,113</u>	<u>12,899</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u>4,113</u>	<u>12,899</u>	<u>1,399</u>	<u>13,972</u>
Represented by				
Pledged bank deposit for bank overdrafts	2,026	2,048	2,026	2,050
Bank balances and cash	3,571	10,851	1,275	11,922
Bank overdrafts	<u>(1,484)</u>	<u>—</u>	<u>(1,902)</u>	<u>—</u>
	<u>4,113</u>	<u>12,899</u>	<u>1,399</u>	<u>13,972</u>

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ACCOUNTANTS’ REPORT

Notes to the Financial Information

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 March 2015. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is located at 6/F, The Sun’s Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in provision of building consultancy services and contracting business and project management.

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

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Prior to the Group Reorganisation, the provision of building consultancy services and contracting business and project management were carried out by China PM (Holdings) Limited (“China PM (Holdings)”) and its subsidiaries.

To rationalise the corporate structure in preparation for the [REDACTED] on the GEM of the Stock Exchange, the entities comprising the Group underwent the Group Reorganisation which mainly involved (i) incorporation of the Company as an exempted company with limited liability in the Cayman Islands on 19 March 2015 and (ii) interspersing investment holding companies, including the Company, between the operating subsidiaries and the ultimate equity shareholder, Mr. Ng Kin Siu (the “Controlling Shareholder”). Further details of the Group Reorganisation are set out in the paragraph headed “A. Further information about the Company — 4. Corporate Reorganisation” in the section headed “Statutory and General Information” in Appendix IV to this document. Upon completion of the Group Reorganisation, the Company became the ultimate holding company of the Group on 31 March 2015.

The companies that took part in the Group Reorganisation were controlled by the Controlling Shareholder during the Track Record Period or since their respective dates of incorporation up to 31 March 2015 where this is a shorter period. As there was no change in the effective interest and control of the Controlling Shareholder over the group entities before and after the Group Reorganisation, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting Under Common Control Combination” issued by HKICPA. The financial information relating to the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period includes the results of operation and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation.

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3. 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 adopted all these new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) which are effective for annual accounting periods beginning on 1 January 2015 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs that are not yet effective for annual accounting periods beginning on 1 January 2015. The Group has not early applied these new and revised HKFRSs.

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
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 HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle 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

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2016

Except as described below, the Directors anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Group’s financial performance and positions and/or on the disclosures to the financial statements of the Group.

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 promise 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 disclosure are required by HKFRS 15.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost. 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 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 Intangible Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidations

The Financial Information incorporates the financial statements of the 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. Consolidation 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 consolidated statements of profit or loss and other comprehensive income from the date the Group gains controls 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.

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

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities are consolidated 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.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities 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.

Revenue from construction contracts is recognised on the percentage of completion method, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs during the year/period.

Consultancy fee income and management fee income are recognised when the relevant services are rendered.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction 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 based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. 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.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probably 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.

Where 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 amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement 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 consolidated statement of financial position under trade and other receivables.

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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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

Retirement benefits costs

Payments to the Mandatory Provident Fund 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.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 is realised, based on tax rate (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 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.

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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).

Property, plant and equipment

Property, plant and equipment are stated in the consolidated 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 items of property, plant and equipment less their residual values over their estimated 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.

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 into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 and points 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.

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 or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, amount due from a director, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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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 each 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.

For all financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 passed the presentation date to its customers from provision of contracting business and project management and credit period ranging from 14 to 45 days offered to its customers from provision of building consultancy services, 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 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.

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

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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, and borrowings) are subsequently measured at amortised cost, using the effective interest method.

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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 and points 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 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.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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. Where 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.

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 (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 in profit or loss.

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Revenue and profit recognition of construction works

The Group recognises contract revenue and profit of a construction contract according to the management’s estimation of the total outcome of the project as well as the percentage of completion of construction works. Estimated construction revenue is determined with reference to the terms of the relevant contract. Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction 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.

Estimated impairment of trade and retention receivables

Management estimates the recoverability of trade and retention receivables based on objective evidence. 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, a material 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 approximately HK\$39,677,000, HK\$53,254,000, and HK\$29,613,000 respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group’s overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes the bank overdrafts and bank borrowings disclosed in note 26, net of cash and cash equivalents and equity, comprising paid in capital and reserves.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	Year ended 31 December		As at
	2013	2014	31 March
	HK\$’000	HK\$’000	2015
			HK\$’000
Financial assets			
Loans and receivables (including bank balances and cash)	<u>55,114</u>	<u>76,004</u>	<u>57,147</u>
Financial liabilities			
Amortised cost	<u>41,905</u>	<u>42,257</u>	<u>29,279</u>

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7b. Financial risk management objectives and policies

The Group’s major financial instruments include amount due from a director, amounts due from related companies, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances, advances from customers and bank borrowings. The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the Best Lending Rate arising from bank borrowings.

The Group’s exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Directors consider that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances and the Best Lending Rate on bank borrowings is minimal. Accordingly, no sensitivity analysis is prepared and presented.

Credit risk

At the end of respective reporting periods, 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 provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Directors have reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider 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 five major customers amounting to HK\$21,391,000, HK\$28,310,000 and HK\$4,650,000 respectively and accounted for 54%, 53% and 16% of the Group’s total trade and retention receivables. The major customers of the Group are certain reputable organisations. The Directors consider that the credit risk is limited in this regard.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate.

The following table details the Group’s remaining contractual maturity for its 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.

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Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value at 31.12.2013 HK\$'000
At 31 December 2013				
Trade and other payables	—	29,298	29,298	29,298
Bank borrowings				
— variable-rate bank borrowings	2.53	11,123	11,123	11,123
— bank overdrafts	5.00	1,484	1,484	1,484
		<u>41,905</u>	<u>41,905</u>	<u>41,905</u>
	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value at 31.12.2014 HK\$'000
At 31 December 2014				
Trade and other payables	—	32,253	32,253	32,253
Variable-rate bank borrowings	3.66	10,004	10,004	10,004
		<u>42,257</u>	<u>42,257</u>	<u>42,257</u>
	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value at 31.03.2015 HK\$'000
At 31 March 2015				
Trade and other payables	—	21,520	21,520	21,520
Variable-rate bank borrowings	3.08	7,759	7,759	7,759
		<u>29,279</u>	<u>29,279</u>	<u>29,279</u>

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Bank borrowings with a repayment on demand clause are included in the “repayable on demand or less than 3 months” time band in the above maturity analysis. As at 31 December 2013 and 2014 and 31 March 2015, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$11,123,000, HK\$10,004,000 and HK\$7,759,000 respectively. Taking into account the Group’s financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid one to three years after the end of the Track Record Period in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$’000	3 months to 1 year HK\$’000	1-2 years HK\$’000	3-5 years HK\$’000	Total undiscounted cash flows HK\$’000	Total carrying amount HK\$’000
At 31 December 2013							
Bank borrowings							
— variable rate	2.53	5,360	2,416	2,981	700	11,457	11,123
At 31 December 2014							
Bank borrowings							
— variable rate	3.66	2,725	6,765	442	258	10,190	10,004
At 31 March 2015							
Bank borrowings							
— variable rate	3.08	4,471	2,863	442	147	7,923	7,759

7c. Fair value measurements of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost and recorded in the Financial Information approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

Information reported to the Company’s executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

1. Contracting business and project management (“Contracting service”)
2. Provision of building consultancy services (“Consultancy service”).

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

For the year ended 31 December 2013

	Contracting service HK\$’000	Consultancy service HK\$’000	Total HK\$’000
Revenue			
Segment revenue	<u>162,137</u>	<u>29,824</u>	<u>191,961</u>
Segment profit	13,808	15,245	29,053
Unallocated income			100
Unallocated expenses			<u>(15,474)</u>
Profit before tax			<u><u>13,679</u></u>

For the year ended 31 December 2014

	Contracting service HK\$’000	Consultancy service HK\$’000	Total HK\$’000
Revenue			
Segment revenue	<u>158,140</u>	<u>41,414</u>	<u>199,554</u>
Segment profit	17,018	19,972	36,990
Unallocated income			693
Unallocated expenses			<u>(14,469)</u>
Profit before tax			<u><u>23,214</u></u>

For the three months ended 31 March 2014 — unaudited

	Contracting service HK\$’000	Consultancy service HK\$’000	Total HK\$’000
Revenue			
Segment revenue	<u>31,217</u>	<u>6,631</u>	<u>37,848</u>
Segment profit	2,690	1,843	4,533
Unallocated income			100
Unallocated expenses			<u>(3,166)</u>
Profit before tax			<u><u>1,467</u></u>

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For the three months ended 31 March 2015

	Contracting service	Consultancy service	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue			
Segment revenue	<u>28,889</u>	<u>8,544</u>	<u>37,433</u>
Segment profit	4,783	2,667	7,450
Unallocated income			2
[REDACTED] expenses			(593)
Unallocated expenses			<u>(3,397)</u>
Profit before tax			<u><u>3,462</u></u>

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 4. Segment profit represents the profit from each segment before tax without allocation of other income, certain other losses, [REDACTED] expenses, administration expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment. No analysis of the Group’s assets and liabilities is regularly provided to the chief executive decision maker for review.

Geographical information

The Group’s revenue is all derived from operations in Hong Kong and the Group’s non-current assets are all located in Hong Kong.

Information about major customers

Revenue from customers in respect of contracting service during the Track Record Period contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)			
Customer 1	58,502	37,493	4,280	N/A ¹
Customer 2	N/A ¹	30,971	N/A ¹	4,695
Customer 3	N/A ¹	N/A ¹	8,096	N/A ¹
Customer 4	N/A ¹	N/A ¹	5,191	N/A ¹
Customer 5	N/A ¹	N/A ¹	4,042	N/A ¹
Customer 6	N/A ¹	N/A ¹	N/A ¹	8,444

¹ The corresponding revenue did not contribute over 10% of total revenue of the Group in the respective year/period.

No other revenue from transaction with a single external customer amounted to 10% or more of the total revenue of the Group during the Track Record Period.

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9. OTHER INCOME

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Bank interest income	26	22	—	2
Reimbursement from main contractor (<i>Note</i>)	—	487	—	—
Others	74	184	100	—
	<u>100</u>	<u>693</u>	<u>100</u>	<u>2</u>

Note: Reimbursement from main contractor represented amount subsequently agreed and received in relation to compensation paid to an individual subcontractor of the Group for injury in 2013.

10. OTHER LOSSES

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Compensation to worker (<i>Note</i>)	2,758	—	—	—
Impairment loss recognised on trade and retention receivables	291	2,074	1,989	—
Net loss on write off of property, plant and equipment	—	488	—	—
	<u>3,049</u>	<u>2,562</u>	<u>1,989</u>	<u>—</u>

Note: Compensation to worker represented amount agreed and paid to an individual subcontractor of the Group in 2013 for his injury during construction project.

11. FINANCE COSTS

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Interest on:				
Bank borrowings wholly repayable within five years	270	386	121	68
Bank overdrafts	50	72	15	7
Advances from customers wholly repayable within five years (<i>Note 24(b)</i>)	812	1,164	314	75
	<u>1,132</u>	<u>1,622</u>	<u>450</u>	<u>150</u>

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12. PROFIT BEFORE TAX

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)			
Profit before tax has been arrived at after charging:				
Directors’ emoluments (<i>Note 13</i>)	693	1,401	346	600
Salaries and other allowances	32,035	34,693	8,331	8,059
Retirement benefit scheme contributions, excluding those of directors	<u>916</u>	<u>1,165</u>	<u>264</u>	<u>358</u>
Total staff costs	33,644	37,259	8,941	9,017
Less: amounts included in cost of services	<u>(27,977)</u>	<u>(31,955)</u>	<u>(7,875)</u>	<u>(7,712)</u>
	<u>5,667</u>	<u>5,304</u>	<u>1,066</u>	<u>1,305</u>
Auditors’ remuneration	47	303	—	—
Depreciation of property, plant and equipment	335	410	122	147
Operating lease rentals in respect of				
— Office premise	895	2,040	305	774
— Director’s quarter (included in director’s emoluments)	<u>—</u>	<u>525</u>	<u>—</u>	<u>225</u>

13. DIRECTORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS

Directors

Mr. Ng Kin Siu and Mr. Lai Pak Wei were appointed as the executive directors of the Company on 19 March 2015 and 15 May 2015, respectively, and their emoluments for the Track Record Period paid/payable by the group entities are as follows:

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)			
Fee	—	—	—	—
Salaries and other allowances	528	1,204	192	415
Discretionary bonus (<i>Note</i>)	150	180	150	180
Retirement benefit scheme contributions	<u>15</u>	<u>17</u>	<u>4</u>	<u>5</u>
	<u>693</u>	<u>1,401</u>	<u>346</u>	<u>600</u>

Note: The discretionary bonus is determined with consideration of the progress and performance of construction contract works for the year/periods of the entities.

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Executive directors:

	Year ended 31 December								Three months ended 31 March				2015							
	2013		Retirement benefit scheme		Salaries and other		2014		2014		Retirement benefit scheme		Salaries and other		Discretionary bonus		Retirement benefit scheme			
	allowance	bonus	contributions	Total	allowance	bonus	contributions	Total	allowance	bonus	contributions	Total	allowance	bonus	contributions	Total	allowance	bonus	contributions	Total
HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Ng Kin Siu (chairman)	—	—	—	—	534	—	—	534	42	—	—	42	229	—	—	—	—	—	—	229
Lai Pak Wei	528	150	15	693	670	180	17	867	150	150	4	304	186	180	—	—	—	—	—	371
	<u>528</u>	<u>150</u>	<u>15</u>	<u>693</u>	<u>1,204</u>	<u>180</u>	<u>17</u>	<u>1,401</u>	<u>192</u>	<u>150</u>	<u>4</u>	<u>346</u>	<u>415</u>	<u>180</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>600</u>

Mr. Ng Kin Siu is also the chief executive of the Company and his emoluments disclosed above included those services rendered by him as the chief executive. During the Track Record Period, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

Employees

The five highest paid individuals of the Group included one director of the Company for the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2014 and 2015, details of his emoluments are set out above. The emoluments of the remaining four individuals for the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2014 and 2015 are as follows:

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Salaries and other allowances	2,264	2,531	585	679
Discretionary bonus	465	527	465	527
Retirement benefit scheme contributions	<u>60</u>	<u>67</u>	<u>15</u>	<u>18</u>
	<u>2,789</u>	<u>3,125</u>	<u>1,065</u>	<u>1,224</u>

The emoluments of the highest paid individuals fell within the following rank:

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
HK\$ Nil–HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

14. DIVIDENDS

The dividend declared by the Company’s subsidiary to its then shareholder during the three months ended 31 March 2015 amounted to HK\$10,000,000. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

The Company declared special dividend of HK\$12,000,000 in April 2015.

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15. INCOME TAX EXPENSE

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Income tax				
Current year/period	2,188	4,072	223	669
Under (over) provision in prior years	<u>57</u>	<u>(20)</u>	<u>—</u>	<u>—</u>
	2,245	4,052	223	669
Deferred tax (<i>Note 28</i>)	<u>146</u>	<u>42</u>	<u>15</u>	<u>—</u>
Income tax expense	<u><u>2,391</u></u>	<u><u>4,094</u></u>	<u><u>238</u></u>	<u><u>669</u></u>

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 consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Profit before tax	<u><u>13,679</u></u>	<u><u>23,214</u></u>	<u><u>1,467</u></u>	<u><u>3,462</u></u>
Tax charge at Hong Kong Profits Tax Rate of 16.5%	2,257	3,830	242	571
Tax effect of expenses not deductible for tax purpose	50	372	—	99
Under (over) provision in respect of prior years	57	(20)	—	—
Others	<u>27</u>	<u>(88)</u>	<u>(4)</u>	<u>(1)</u>
Tax expense for the year/period	<u><u>2,391</u></u>	<u><u>4,094</u></u>	<u><u>238</u></u>	<u><u>669</u></u>

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the two years ended 31 December 2013, 2014 and the three months ended 31 March 2014 and 2015 is based on the profit for the year/period attributable to the owners of the Company of approximately HK\$11,288,000, HK\$19,120,000, HK\$1,229,000 (unaudited) and HK\$2,793,000 respectively and on the basis of [REDACTED] ordinary shares issued pursuant to the Group Reorganisation and [REDACTED] arising from the [REDACTED] of shares of the Company that are deemed to have become effective on 1 January 2013.

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17. INVESTMENT IN A SUBSIDIARY

The Company

	As at 31 March 2015 HK\$
Unlisted equity investment, at cost	<u>8</u>
	<i>HK\$'000</i>
Shown on the statement of financial position	<u><u>—</u></u>

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
As at 1 January 2013	1,101	191	274	312	1,878
Additions	133	142	596	390	1,261
Written off	<u>(25)</u>	<u>(49)</u>	<u>(274)</u>	<u>(50)</u>	<u>(398)</u>
As at 31 December 2013	1,209	284	596	652	2,741
Additions	478	181	—	640	1,299
Written off	<u>(1,209)</u>	<u>(264)</u>	<u>—</u>	<u>(32)</u>	<u>(1,505)</u>
As at 31 December 2014	478	201	596	1,260	2,535
Additions	<u>170</u>	<u>—</u>	<u>—</u>	<u>77</u>	<u>247</u>
As at 31 March 2015	<u>648</u>	<u>201</u>	<u>596</u>	<u>1,337</u>	<u>2,782</u>
DEPRECIATION					
As at 1 January 2013	834	104	253	111	1,302
Provided for the year	96	46	109	84	335
Eliminated on written off	<u>(25)</u>	<u>(49)</u>	<u>(274)</u>	<u>(50)</u>	<u>(398)</u>
As at 31 December 2013	905	101	88	145	1,239
Provided for the year	36	19	173	182	410
Eliminated on written off	<u>(905)</u>	<u>(97)</u>	<u>—</u>	<u>(15)</u>	<u>(1,017)</u>
As at 31 December 2014	36	23	261	312	632
Provided for the period	<u>28</u>	<u>10</u>	<u>43</u>	<u>66</u>	<u>147</u>
As at 31 March 2015	<u>64</u>	<u>33</u>	<u>304</u>	<u>378</u>	<u>779</u>
CARRYING VALUE					
As at 31 December 2013	<u>304</u>	<u>183</u>	<u>508</u>	<u>507</u>	<u>1,502</u>
As at 31 December 2014	<u>442</u>	<u>178</u>	<u>335</u>	<u>948</u>	<u>1,903</u>
As at 31 March 2015	<u>584</u>	<u>168</u>	<u>292</u>	<u>959</u>	<u>2,003</u>

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The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvements	20% or over the lease term, whichever is shorter
Furniture and fixtures	20%
Motor vehicles	30%
Office equipment	20%

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
			HK\$'000
Contracts in progress at the end of the reporting periods:			
Contract costs incurred plus recognised profits less recognised losses	197,733	257,109	232,854
Less: progress billings	<u>(160,539)</u>	<u>(213,911)</u>	<u>(194,895)</u>
	<u>37,194</u>	<u>43,198</u>	<u>37,959</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract works	38,036	44,237	38,020
Amounts due to customers for contract works	<u>(842)</u>	<u>(1,039)</u>	<u>(61)</u>
	<u>37,194</u>	<u>43,198</u>	<u>37,959</u>

Included in amounts due from customers for contract works are retention held by customers for contract works in relation to incomplete projects amounted to approximately HK\$2,090,000, HK\$2,271,000 and HK\$4,486,000 as at 31 December 2013, 2014 and 31 March 2015 respectively which were expected to be recovered or settled in more than twelve months from the end of corresponding reporting periods.

20. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
			HK\$'000
Trade receivables	35,881	44,812	21,440
Retention receivables (<i>Note</i>)	<u>3,796</u>	<u>8,442</u>	<u>8,173</u>
	<u>39,677</u>	<u>53,254</u>	<u>29,613</u>
Other receivables, deposits and prepayments			
— Prepayment	585	59	1,432
— Prepayment for [REDACTED] expenses	—	—	1,195
— Sundry deposits	909	1,760	1,758
— Temporary payment	287	340	268
— Other receivables	<u>500</u>	<u>—</u>	<u>—</u>
	<u>2,281</u>	<u>2,159</u>	<u>4,653</u>
	<u>41,958</u>	<u>55,413</u>	<u>34,266</u>

Note: All retention money in relation to completed projects as at 31 December 2013, 2014 and 31 March 2015 were expected to be recovered or settled within twelve months from the end of the corresponding reporting periods.

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The Group does not allow any credit period to its customers from contracting service and allows average credit ranging from 14 to 45 days to its customers from consultancy service. The aged analysis of the Group's trade receivables based on certification/invoice dates at the end of each reporting period, which approximated the respective revenue recognition dates are as follows:

	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>
Trade receivables:			
1-30 days	22,822	25,903	11,125
31-60 days	1,342	10,622	1,399
61-90 days	1,214	1,222	4,217
91-180 days	9,757	2,245	1,587
Over 180 days	<u>746</u>	<u>4,820</u>	<u>3,112</u>
	<u>35,881</u>	<u>44,812</u>	<u>21,440</u>

Included in the Group's trade receivables are debtors with a carrying amount of HK\$33,897,000, HK\$39,246,000 and HK\$19,435,000 at 31 December 2013, and 2014 and 31 March 2015 which are past due but not impaired as at the end of each of the reporting period. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

	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>
Overdue:			
1-30 days	21,116	21,981	9,378
31-60 days	1,677	9,328	2,312
Over 60 days	<u>11,104</u>	<u>7,937</u>	<u>7,745</u>
	<u>33,897</u>	<u>39,246</u>	<u>19,435</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are neither past due nor 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 the reporting period.

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Movement in the allowance for doubtful debts

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	HK\$'000
At beginning of year/period	—	291	2,365
Impairment losses recognised on trade and retention receivables	<u>291</u>	<u>2,074</u>	<u>—</u>
Balance at end of year/period	<u><u>291</u></u>	<u><u>2,365</u></u>	<u><u>2,365</u></u>

The Company

The trade and other receivables of the Company as at 31 March 2015 represents the prepayment for [REDACTED] expenses.

21. AMOUNTS DUE FROM RELATED COMPANIES

	Balance at			Maximum amount outstanding during		
	31 December	31 March	31 March	31 December	31 March	31 March
	2013	2014	2015	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from related companies						
Fruit Innovations Limited	44	214	214	44	214	214
Shanghai Fruit Construction Limited	848	958	958	848	958	958
China PM (Holdings)	1,275	2,305	2,805	1,275	2,305	2,805
Win Lee Building Engineering (Macau) Limited	<u>13</u>	<u>220</u>	<u>223</u>	<u>14</u>	<u>220</u>	<u>223</u>
	<u><u>2,180</u></u>	<u><u>3,697</u></u>	<u><u>4,200</u></u>			

Notes:

- (a) All the amounts are non trade-related, unsecured, interest-free and repayable on demand. The outstanding balances were fully settled after 31 March 2015.
- (b) A director of the Company is the beneficial shareholder and a director of the above related companies.

22. AMOUNT DUE FROM A DIRECTOR

Director/shareholder	Balance at			Maximum amount outstanding during		
	31 December	31 March	31 March	31 December	31 March	31 March
	2013	2014	2015	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ng Kin Siu	<u>5,964</u>	<u>4,054</u>	<u>7,336</u>	<u>5,964</u>	<u>9,123</u>	<u>17,336</u>

Amount due from a director is unsecured, interest-free and repayable on demand. The outstanding balance was fully settled after 31 March 2015.

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23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposit of the Group is pledged to a bank for securing bank overdrafts (see note 26). The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged bank deposit/bank balances carry interest at market rates which are as follows:

	As at 31 December		As at
	2013	2014	31 March
	2015		
Range of interest rate per annum:			
Pledged bank deposit	1%	0.40%	0.4%
Bank balances	0%	0.001%	0.001%
	<u>to 0.01%</u>	<u>to 0.01%</u>	<u>to 0.01%</u>

24. TRADE AND OTHER PAYABLES/ADVANCES FROM CUSTOMERS

	As at 31 December		As at
	2013	2014	31 March
	2015		
	HK\$'000	HK\$'000	HK\$'000
Trade payables	22,672	24,436	14,118
Retention payables (<i>Note a</i>)	6,626	7,817	7,402
Accrued operating expenses	11,398	13,407	8,057
Other payables	347	2,843	527
Advances from customers (<i>Note b</i>)	<u>15,093</u>	<u>14,357</u>	<u>20,111</u>
	<u>56,136</u>	<u>62,860</u>	<u>50,215</u>

Notes:

- (a) Approximately HK\$3,007,000 and HK\$3,433,000 as at 31 December 2014 and 31 March 2015 respectively were aged more than twelve months from the end of the reporting periods. All retention payables as at 31 December 2013, 2014 and 31 March 2015 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.
- (b) Advances from customers are unsecured, bear interest ranging from 7% to 8% and will be utilised to set off progress billings.

The aged credit period on trade payables is 0 to 30 days.

An aged 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
	2015		
	HK\$'000	HK\$'000	HK\$'000
Trade payables:			
1–30 days	14,117	11,300	2,917
31–60 days	4,151	5,483	1,420
61–90 days	2,987	3,733	5,786
Over 90 days	<u>1,417</u>	<u>3,920</u>	<u>3,995</u>
	<u>22,672</u>	<u>24,436</u>	<u>14,118</u>

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25. AMOUNT DUE TO A SUBSIDIARY

The Company

	As at 31 March 2015 HK\$'000
Amount due to a subsidiary	
Fruit Design	<u>1,788</u>

The amount is non trade-related, unsecured, interest-free and repayable on demand.

26. BANK BORROWINGS

The variable-rate bank borrowings and bank overdrafts are repayable as follows:

	As at 31 December		As at 31 March 2015 HK\$'000
	2013 HK\$'000	2014 HK\$'000	
Carrying amount of bank loans that are repayable on demand or within one year	11,123	10,004	7,759
Bank overdrafts	<u>1,484</u>	<u>—</u>	<u>—</u>
Amounts shown under current liabilities	<u>12,607</u>	<u>10,004</u>	<u>7,759</u>

During the Track Record Period, the variable-rate bank borrowings were secured by the personal guarantee of HK\$14,000,000 from Mr. Ng Kin Siu and the guarantee of HK\$11,200,000 from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme and carry interest at 1.5% per annum over the 3 months Hong Kong Interbank Offer Rate, 0.5% per annum below HK\$ prime rates and 1% per annum below HK\$ prime rates offered by respective banks.

During the Track Record Period, bank overdrafts were secured by the personal guarantee of HK\$2,000,000 from Mr. Ng Kin Siu and a pledged bank deposit (see note 23).

The effective interest rates (which are also equal to contracted interest rates) of the Group's borrowings are as follow:

	As at 31 December		As at 31 March 2015
	2013	2014	
Variable-rate per annum:			
Bank borrowings	1.74%	1.72%	1.72%
	to 4.5%	to 4.5%	to 4.5%
Bank overdrafts	5%	5%	5%

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27. SHARE CAPITAL

The Group

For the purpose of the Financial Information, the share capital shown on the consolidated statements of financial position represented the sum of share capital of the following group entities:

	As at 31 December		As at
	2013	2014	31 March
	HK\$	HK\$	2015 HK\$
Fruit Design	1	1	—
Harvest Building	1	1	—
Win Lee Building	1,000,000	1,000,000	—
Marvo Architecture	1	1	—
Solomono (<i>Note a</i>)	N/A	1	—
Sky Global (<i>Note b</i>)	N/A	1	—
Win Lee (Project Team B) (<i>Note c</i>)	N/A	1	—
The Company	N/A	N/A	—
	<u>1,000,003</u>	<u>1,000,006</u>	<u>—</u>

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015 HK\$'000
Shown in the Financial Information	<u>1,000</u>	<u>1,000</u>	<u>—</u>

Notes:

- a. Solomono, Sky Global and Win Lee (Project Team B) were incorporated during the year ended 31 December 2014 and hence no share capital for these companies was presented as at 31 December 2013.
- b. The Company and FDB & Associates were incorporated during the three months ended 31 March 2015 and hence no share capital for these companies was presented as at 31 December 2013 and 2014.
- c. Subsequent to the incorporation of the Company, China PM (Holdings) transferred all of its investment in shares in Fruit Design, Harvest Building, Win Lee Building, Marvo Architecture, Solomono, Sky Global and Win Lee (Project Team B) to FDB & Associates and hence only the share capital of the Company was presented as at 31 March 2015.

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The Company

	Number of Shares	Amount HK\$
Authorized:		
Ordinary shares at HK\$0.01 each as at date of incorporation and as at 31 March 2015	<u>38,000,000</u>	<u>380,000</u>
Issued and fully paid:		
Ordinary share of HK\$0.01 each as at the date of incorporation and as at 31 March 2015 (<i>note</i>)	<u>2</u>	<u>—</u>
		<i>HK\$’000</i>
Shown in the Financial Information as		<u>—</u>

Note: The Company was incorporated in the Cayman Islands on 19 March 2015 with an authorized share capital of HK\$380,000 divided in to 38,000,000 shares. One nil-paid Share was allotted and issued to the subscriber, which was later transferred to Masterveyor Holdings Limited (“Masterveyor”), the immediate and ultimate holding company of the Company on 31 March 2015. In addition, the Company issued one share to Masterveyor to acquire the entire issued share capital of FDB & Associates on 31 March 2015. After the aforesaid allotment and issue of share, the then issued share capital of the Company was whollyowned by Masterveyor.

Masterveyor is a company incorporated in the BVI on 24 February 2015 with limited liability which is a holding vehicle of the Company and wholly owned by Mr. Ng Kin Siu.

28. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon for the Track Record Period:

	Accelerated tax depreciation HK\$’000
At 1 January 2013	—
Charged to consolidated statement of profit or loss	<u>146</u>
At 31 December 2013 and 1 January 2014	146
Charged to consolidated statement of profit or loss	<u>42</u>
At 31 December 2014 and 1 January 2015	188
Charged to consolidated statement of profit or loss	<u>—</u>
At 31 March 2015	<u>188</u>

At 31 December 2013, 2014 and 31 March 2015, the Group has deductible temporary differences of approximately HK\$885,000, HK\$1,139,000 and HK\$1,139,000 respectively available for offset against future profits. In addition, the Group has no unutilised tax loss as at 31 December 2013, 2014 and 31 March 2015 available for offset against future profits. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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29. RESERVE OF THE COMPANY

	Accumulated losses <i>HK\$’000</i>
As at 19 March 2015 (date of incorporation)	—
Results and total comprehensive loss recognised for the period	<u>(593)</u>
At 31 March 2015	<u><u>(593)</u></u>

30. OPERATING LEASE COMMITMENTS

The Group as lessee

As at the end of each reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and director’s quarter which fall due as follows:

	As at 31 December		As at 31 March
	2013	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Within one year	607	4,006	3,994
In the second to fifth year inclusive	<u>204</u>	<u>2,190</u>	<u>1,201</u>
	<u><u>811</u></u>	<u><u>6,196</u></u>	<u><u>5,195</u></u>

The leases are generally negotiated for a lease term of 2 years at fixed rentals.

31. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of 5% of relevant payroll costs monthly to the MPF Scheme, subject to a maximum amount of HK\$1,000 before 1 June 2012 and HK\$1,250 from 1 June 2012 to 31 May 2014 and HK\$1,500 from 1 June 2014 per month for each employee, which contribution is matched by employees.

32. RELATED PARTY DISCLOSURES

(I) Balances

Details of balances with related parties are set out in notes 21 and 22.

(II) Compensation of key management personnel

The Directors are identified as key management members of the Company, and their compensation during the Track Record Period is set out in note 13.

(III) For the year ended 31 December 2014 and the three months ended 31 March 2015, the surety bonds (note 33) are secured by personal guarantee provided by Mr. Ng Kin Siu and property held by his wife. The Directors represent that the personal guarantees will be released upon the [REDACTED].

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33. SURETY BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for performance of contract works in the form of surety bonds. The Group provided a counter-indemnity to the bank or insurance company that issues such surety bonds. For the year ended 31 December 2013, the Group paid a cash collateral approximately HK\$551,000 to the insurance company to issue surety bonds.

As at 31 December 2013, 2014 and as at 31 March 2015, the outstanding amount of surety bonds were approximately HK\$1,378,000, HK\$1,772,000 and HK\$3,650,000 respectively.

34. MAJOR NON-CASH TRANSACTION

During the three months ended 31 March 2015, dividends amounting to HK\$10,000,000 declared by Fruit Design were settled via current account with a director.

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 March 2015.

- (a) In April 2015, the Company declared special dividend of HK\$12,000,000 to its shareholder.
- (b) Pursuant to the written resolutions passed by the existing shareholder of the Company on 16 September 2015 and 21 September 2015, the following resolutions, among other resolutions, were duly passed:
 - (i) The authorised share capital of the Company be increased from HK\$380,000 to HK\$40,000,000 by the creation of an additional of 3,962,000,000 shares, each ranking pari passu with the existing shares in issue in all respects.
 - (ii) The Company resolved to further issue and allot 99,998 shares of HK\$0.01 each to Masterveyor at a subscription price of HK\$0.01 per share and such issue was completed on 16 September 2015.
 - (iii) Immediately following completion of [REDACTED], the [REDACTED] of [REDACTED] shares of HK\$[REDACTED] each will be issued from share premium account of the Company to the then existing shareholder.
- (c) The Company has adopted share option scheme on 16 September 2015, the details of share option scheme are set out in "Share Option Scheme" in Appendix IV to the document.

B. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate remuneration excluding discretionary bonus, if any, of the Company's directors for the year ending 31 December 2015 is approximately HK\$3,600,000.

C. HOLDING COMPANY

In the opinion of the Directors, the Company's ultimate holding company is Masterveyor which is a private limited company incorporated in the British Virgin Islands.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group 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 set out herein for illustrative purpose 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 CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “Pro Forma Financial Information”) prepared in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for illustrative purpose only, and is set out below to illustrate the effect of the proposed [REDACTED] of the Company’s share on the Stock Exchange by way of [REDACTED] (the “[REDACTED]”) on the Group’s consolidated net tangible assets attributable to the owners of the Company as at 31 March 2015 as if the [REDACTED] had taken place on 31 March 2015.

The Pro Forma Financial Information has been prepared based on the judgements, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2015 or any further dates following the [REDACTED].

Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of 31 March 2015 <i>HK\$’000</i> <i>(Note 1)</i>	Estimated [REDACTED] from the [REDACTED] <i>HK\$’000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company <i>HK\$’000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share <i>HK\$</i> <i>(Note 3)</i>
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Based on a [REDACTED] Price of
HK\$[REDACTED] per Share

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of our Company as of 31 March 2015 is extracted from Appendix I "Accountants' Report" to this document, which is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as of 31 March 2015 of approximately HK\$[REDACTED].
- (2) The estimated [REDACTED] from [REDACTED] are based on [REDACTED] Shares to be offered by our Company and the [REDACTED] Price of HK\$[REDACTED] per Share, after deduction of the underwriting fees and other related expenses (excluding approximately HK\$[REDACTED] [REDACTED] expenses accounted for prior to 31 March 2015) in connection with the [REDACTED].
- (3) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated based on [REDACTED] Shares expected to be in issue immediately following the completion of [REDACTED]. It has not taken into account any Shares which have been or may be allotted and issued pursuant to exercise of any option which 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 given to the Directors after 31 March 2015.
- (4) No adjustment has been made to the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2015 to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2015.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company does not take into account the special dividend of HK\$12,000,000 declared in April 2015. Had the special dividend of HK\$12,000,000 declared in April 2015 been taken into account of, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share would have been further adjusted to HK\$[REDACTED] and HK\$[REDACTED], respectively, based on the [REDACTED] Price of HK\$[REDACTED] per Share.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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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 19 March 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). 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 conditionally adopted on 16 September 2015 which shall become effective upon commencement of trading of the Shares on the Growth Enterprise Market of the Stock Exchange. 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
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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:

- (aa) 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;
- (bb) 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;
- (cc) 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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- (dd) 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
- (ee) 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.

APPENDIX III	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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The office of director shall be vacated:

- (aa) 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;
- (bb) if he becomes of unsound mind or dies;
- (cc) 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;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) 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.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

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(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.

(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

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- (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.

(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 authorized 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 authorized 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 authorized representative shall have one vote for every fully paid share of which he is the holder

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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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 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 authorize 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 authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized 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.

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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 authorized 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.

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.

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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
- (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:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) 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
- (gg) 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.

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

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.

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

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 authorized 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

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

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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such intention. The [REDACTED] of any such sale shall belong to the Company and upon receipt by the Company of such [REDACTED], it shall become indebted to the former member of the Company for an amount equal to such [REDACTED].

(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 authorized 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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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 authorized 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 authorized 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize 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 authorized 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.

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

- (1) 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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- (2) 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 7 April 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 authorized 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 authorized 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 to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 March 2015. The Company has established a principal place of business in Hong Kong at 6/F, The Sun's Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 11 June 2015. Mr. Ng of Flat A, 20/F., Block 6, Bel-Air on the Peak, 68 Bel-Air Avenue, Cyberport, Hong Kong and Mr. Yu Tsz Ngo of Flat B, 42/F., Block 1, Aqua Marine, Lai Chi Kok, Kowloon have been appointed as the authorized representatives of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to the constitution, which comprises the Memorandum and the Articles. A summary of various provisions of the constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of the Company

- (a) As at the date of incorporation, the Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued nil-paid to the subscriber on 19 March 2015 and was subsequently transferred to Mr. Ng on the same day, credited as fully paid.
- (b) Pursuant to the Reorganisation, the one Share held by Mr. Ng was transferred to Masterveyor on 31 March 2015.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of FDB & Associates from Mr. Ng, on 31 March 2015, one additional Share was allotted and issued to Masterveyor on 31 March 2015, credited as fully paid.
- (d) On 16 September 2015, the Company resolved to increase the authorised share capital of the Company from HK[\$380,000] to HK[\$40,000,000] by the creation of an additional of [3,962,000,000] Shares, each ranking pari passu with the Shares then in issue in all respects.
- (e) On 16 September 2015, the Company resolved to further issue and allot [99,998] Shares of HK\$0.01 each to Masterveyor on 16 September 2015 at a subscription price of HK\$0.01 per Share.
- (f) Immediately following completion of the [REDACTED] and the [REDACTED] and taking no account any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

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- (g) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 16 September 2015 and 21 September 2015" in this appendix and pursuant to the Share Option Scheme, the Company does not have any present intention to 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.
- (h) Save as disclosed in this document, there has been no alteration in the Company's share capital since its incorporation.

3. Written resolutions of the sole Shareholder passed on 16 September 2015 and 21 September 2015

Written resolutions of the sole Shareholder were passed on 16 September 2015 and 21 September 2015 respectively, pursuant to which, among other things:

- (a) the authorised share capital of the Company was increased from HK\$380,000 to HK\$40,000,000 by the creation of an additional 3,962,000,000 Shares, all of which shall rank pari passu in all respect with the existing Shares;
- (b) the Company approved and adopted the Memorandum with immediate effect and the Articles conditionally with effect from commencement of trading of the Shares on GEM;
- (c) conditional on the Listing Division granting [REDACTED] of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme) and on the obligations of the Underwriter under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or such other date as the Company and the Lead Manager may agree, or otherwise, in each case on or before the date determined in accordance with the terms of the [REDACTED]:
 - (i) the [REDACTED] was approved and the Directors were authorised to allot and issue the [REDACTED] Shares pursuant to the [REDACTED] on and subject to the terms and conditions as set out in this document;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" below in this appendix, were approved and adopted and the Directors were authorised, to grant options to subscribe for Shares thereunder and to issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

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- (d) conditional further on the share premium account of the Company being credited as a result of the [REDACTED], the Directors were authorised to capitalise an amount of [HK\$[REDACTED]] standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par [REDACTED] Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 16 September 2015 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued Shares, and the Directors were authorised to give effect to such capitalisation and distributions and the [REDACTED] was approved;
- (e) a general unconditional mandate was given to the Directors to exercise all powers of the Company to issue and deal with (otherwise than by way of rights issues, scrip dividend or similar arrangements in accordance with the Memorandum and Articles or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or other option scheme or pursuant to the [REDACTED] and the [REDACTED]), additional Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles or any applicable laws to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;
- (f) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles or any applicable laws to be held; or

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- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (g) the general unconditional mandate mentioned in sub-paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

In preparing for the [REDACTED], the companies comprising the Group underwent the Reorganisation to rationalise the corporate structure of the Group and the Company became the holding company of the Group. The Reorganisation involved the following major steps:

- (a) Masterveyor was incorporated on 24 February 2015 in the BVI with 50,000 authorised shares of US\$1.00 each. One fully paid ordinary share representing the only issued share of Masterveyor was allotted and issued to Mr. Ng on 24 February 2015.
- (b) FDB & Associates was incorporated on 24 February 2015 in the BVI with 50,000 authorised shares of US\$1.00 each. One fully paid ordinary share representing the only issued share of FDB & Associates was allotted and issued to Mr. Ng on 24 February 2015.
- (c) The Company was incorporated on 19 March 2015 in Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares. One nil-paid subscriber share representing the entire issued share capital of the Company was transferred to Mr. Ng on 19 March 2015, credited as fully paid.
- (d) On 9 March 2015, Harvest Building transferred one share in Win Lee Building Engineering (Macau) Limited, a company incorporated in Macau, representing 4% of the entire issued capital of the Company to China PM (Holdings) at consideration of MOP1,000. The considerations were arrived at after arm's length negotiations between the parties, taking into account the then net asset value of Win Lee Building Engineering (Macau) Limited.
- (e) On 31 March 2015, Mr. Ng and Masterveyor entered into a first share swap agreement pursuant to which Mr. Ng transferred one Share, which represents the entire issued share capital of the Company, to Masterveyor and in consideration, one share in the share capital of Masterveyor was allotted and issued to Mr. Ng, credited as fully paid.

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- (f) On 31 March 2015, FDB & Associates entered into a sale and purchase agreement with China PM (Holdings), pursuant to which FDB & Associates acquired the entire issued share capital of the operating subsidiaries, namely, FDBL, Marvo Architecture, SCCL, Sky Global, Win Lee, Win Lee (Project Team B) and Harvest Building from China PM (Holdings) at a nominal consideration of HK\$1.00 for each of the operating subsidiaries. In consideration of the sole ultimate beneficial owner of FDB & Associates and China PM (Holdings) was Mr. Ng at the time of the transfer, the Directors consider that the nominal consideration is fair and reasonable so far as the Company and its shareholders are concerned.
- (g) On 31 March 2015, Mr. Ng, Masterveyor and FDB & Associates entered into a second share swap agreement with the Company, pursuant to which Mr. Ng transferred one share in FDB & Associates, which represents the entire issued share capital of the FDB & Associates, to the Company and in consideration, one Share in the share capital of the Company was allotted and issued to Masterveyor with the instruction of Mr. Ng, credited as fully paid.
- (h) On 24 April 2015, Mr. Ng entered into a sale and purchase agreement with China PM (Holdings), pursuant to which Mr. Ng acquired the entire issued share capital of Fruit Innovations Limited from China PM (Holdings), a company incorporated in Hong Kong with limited liability wholly owned by Mr. Ng, at a nominal consideration of HK\$1.00 as both companies were directly or indirectly wholly owned by Mr. Ng at the time of the transfer, which the stamp duty of the relevant transaction has been duly paid by Mr. Ng.
- (i) On 7 May 2015, in order to focus on the key business of the Group in Hong Kong, Mr. Ng entered into a sale and purchase agreement with Mr. Lee Hung Sang (“**Purchaser**”) who is a former employee of the Group, pursuant to which Mr. Lee Hung Sang acquired the entire issued share capital of China PM (Holdings), together with the operating subsidiaries, namely, Shanghai Fruit Construction Limited and Win Lee Building Engineering (Macau) Limited, from Mr. Ng at consideration of HK\$1,000 after arm’s length negotiation between the parties with reference to the then financial position of China PM (Holdings). Save as the former employment relationship of Mr. Lee Hung Sang, Mr. Lee Hung Sung is independent of and not connected with any of the connected persons (as defined under the GEM Listing Rules) of the Company and any of its subsidiaries or any of their respective associates.

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5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the Accountants’ Report of the Company, the text of which is set out in Appendix I to this document.

Save as disclosed in the paragraph headed “A. Further information about the Company — 4. Corporate reorganisation” in this appendix and in the section headed “History, Reorganisation and Corporate Structure” 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.

6. Repurchase of the Shares by the Company

This section contains information required by the Stock Exchange to be included in this document concerning the repurchase of the Shares by the Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary [REDACTED] is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary [REDACTED] on GEM 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 passed by the sole Shareholder on 16 September 2015 and 21 September 2015, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles or any other applicable laws to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

(ii) Source of Funds

Any repurchase by the Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchases by the

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Company may be made out of profits or from sums standing to the credit of the Company's share premium account or out of the [REDACTED] of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or out of the Company's share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit the Company from knowingly repurchasing the Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), 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 Shares to the Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED], the Directors would be authorized under the Repurchase Mandate to repurchase up to [REDACTED] Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have a general authority from 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 Company's net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

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(e) General

None of the Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to the Company if the Repurchase Mandate is exercised.

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 law and regulations from time to time in force in the Cayman Islands. If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, the Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the [REDACTED] of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares 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). No core connected person (as defined in the GEM Listing Rules) has notified the Company that he/she/it 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

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within the two years preceding the date of this document and are or may be material in relation to the business of the Company taken as a whole:

- (a) a share swap agreement dated 31 March 2015 entered into between Mr. Ng and Masterveyor for the transfer of one Share of the Company to Masterveyor and in consideration of one share in the share capital of Masterveyor shall be allotted and issued to Mr. Ng, credited as fully paid;

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- (b) a share swap agreement dated 31 March 2015 entered into between Mr. Ng, Masterveyor and the Company for the transfer of one share of FDB & Associates from Mr. Ng, which represents the entire issued share capital of FDB & Associates, to the Company and in consideration, one Share of the Company shall be allotted and issued to Masterveyor with the instruction of Mr. Ng, credited as fully paid;
- (c) a sale and purchase agreement dated 31 March 2015 entered into between China PM (Holdings) and FDB & Associates for the purpose of corporate restructuring pursuant to which, China PM (Holdings) agreed to sell and FDB & Associates agreed to purchase the entire issued share capital of FDBL, Harvest Building, Marvo Architecture, SCCL, Sky Global, Win Lee and Win Lee (Project Team B), at nominal consideration of HK\$1.00 for each of the acquired companies;
- (d) the Deed of Non-competition;
- (e) the Deed of Indemnity; and
- (f) the [REDACTED].

2. Intellectual Property Rights of the Group

(a) Trademarks

As at the Latest Practicable Date, the Group has applied for the registration of the following trademarks:

Trademark	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
1.  FDB Holdings Ltd	37	Company	Hong Kong	303423771	28 May 2015
2. 	37	Company	Hong Kong	303423753	28 May 2015
3. 	37	FDBL	Hong Kong	303423744	28 May 2015
4. 	37	Win Lee	Hong Kong	303423726	28 May 2015
5. 	37	FDBL	Hong Kong	303538468	16 September 2015
6. 	37	FDBL	Hong Kong	303538468	16 September 2015

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(b) *Domain name(s)*

As at the Latest Practicable Date, the Group was the owner of the following domain names which as considered by the Directors, were material to the business of the Group:

Registered Owner	Domain Name	Registration Date	Expiry Date
The Company	fdbhk.com	11 March 2015	11 March 2016

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) *Interests of Directors and chief executive in Shares, underlying Shares and debentures of the Company and its associated corporations*

So far as the Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED], but taking no account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are [REDACTED] on the GEM, 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 any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Ng	Interest in controlled corporation	[REDACTED]	[REDACTED]

Note: These [REDACTED] Shares are held by Masterveyor. Mr. Ng beneficially owns the entire issued share capital of Masterveyor. Therefore, Mr. Ng is deemed, or taken to be, interested in all the Shares held by Masterveyor for the purposes of the SFO. Mr. Ng is the sole director of Masterveyor.

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(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/Nature	No. of share held	Percentage of Interest
Mr. Ng	Masterveyor	Beneficial owner	[REDACTED]	[REDACTED]

(b) *Interests of substantial and other Shareholders in the Shares and Underlying Shares*

So far as is known to the Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the [REDACTED] and the [REDACTED], have interests or short positions in 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, who are, 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 any other member of the Group:

Name	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Ms. Wong Chai Lin	Interest of spouse	[REDACTED]	[REDACTED]
Masterveyor	Beneficial owner	[REDACTED]	[REDACTED]

Notes:

- Ms. Wong Chai Lin is the spouse of Mr. Ng and is deemed, or taken to be, interested in all Shares in which Mr. Ng is interested for the purposes of the SFO.

2. Particulars of service contracts

Executive Director

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the [REDACTED] Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to the respective basic salary set out below (subject to annual review at the discretion of the Board). Mr. Ng is also entitled to receive an annual bonus for each completed year of service. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him.

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Independent Non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. The appointments are subject to the provisions of the Articles of Association, the Companies Ordinance, the Companies Law and the Listing Rules with regard to vacation of office of Directors, removal and retirement of rotation of Directors. Each of our independent non-executive Directors are appointed with an initial term of three years commencing from the [REDACTED] Date and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other. Save for directors’ fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

3. Remuneration of Directors

- (a) The aggregate remuneration (including salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by the Group to Mr. Ng for the years ending 31 December 2013 and year ending 31 December 2014 was nil and approximately HK\$0.5 million respectively.
- (b) Under the arrangements currently in force, the aggregate remuneration (excluding bonus, if any) of the Directors for the year ending 31 December 2015 is approximately HK\$3.6 million.
- (c) Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus) payable by the Group to each of the Directors will be as follows:

Executive Directors	<i>HK\$</i>
NG Kin Siu	3,300,000
LAI Pak Wei	1,200,000
Independent non-executive Directors	<i>HK\$</i>
CHAN Kai Nang	150,000
LAU Yiu Kit	150,000
CHAN Chun Hong	150,000

4. Agency fees or commissions received

Save as disclosed in the paragraph headed “Underwriting arrangements and expenses — Commission and expenses” in the section headed “Underwriting” of this document and in the section “E. Other information — 3. Sponsor” in this appendix, none of the Directors or the experts named in the paragraph headed “E. Other information — 8. Consents of experts” in this appendix had received any agency fee or commissions from the Group within the two years preceding the date of this document.

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5. Related party transactions

Details of the related party transactions are set out under note 32 to the accountants' report set forth in Appendix I to this document.

6. Disclaimers

Save as disclosed in this document:

- (a) taking no account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following the completion of the [REDACTED] and the [REDACTED], have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (b) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, in each case once the Shares are [REDACTED] on the GEM;
- (c) none of the Directors or the experts named in the paragraph headed "E. Other information — 7. Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue 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 or the experts named in the paragraph headed "E. Other information — 7. Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;
- (e) none of the Directors or the experts named in the paragraph headed "E. Other information — 7. Qualifications of experts" in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

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- (f) so far as is known to the Directors, none of the Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than [5]% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group;
- (g) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of the Group to any Director since the date of incorporation of the Company, nor are any remuneration or benefits in kind payable by any member of the Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 16 September 2015. The following is a summary of the principal terms of the Share Option Scheme but does not form, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	16 September 2015, the date on which the Share Option Scheme is conditionally adopted by the Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	the Company and any entity in which the Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

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(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 16 September 2015 and 21 September 2015:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (whether full-time or part-time), director (whether executive or non-executive and whether independent or not), consultant or adviser of the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution to the Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular [REDACTED] granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where the Company has been [REDACTED] on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before [REDACTED].

(iv) Grant of [REDACTED] and acceptance of [REDACTED]

An [REDACTED] for the grant of [REDACTED] must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an [REDACTED] to the Company on acceptance of the [REDACTED] for the grant of an [REDACTED] is HK\$[REDACTED].

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(v) *Maximum number of Shares*

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all [REDACTED] to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the [REDACTED] Date. Therefore, it is expected that the Company may grant options in respect of up to 123,200,000 Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such 123,200,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) the Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.
- (dd) The aggregate 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 of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

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(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to a Director, chief executive or Substantial Shareholder, or any of their respective associates*

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associates and all core connected persons of the Company must abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

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(viii) Restrictions on the times of grant of options

(aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be 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, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of the results for any year, half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the actual publication of results announcements. Such period shall cover any period of delay in the publication of a results announcement.

(bb) The Directors may not make any offer to a 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 restriction by the Company.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment. Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

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(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the personal representative(s) of the grantee shall be entitled to exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death (provided that such exercise is made during the option period) or such longer period as the Board may at its absolute discretion determine.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has been in breach of a material term of the relevant employment contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence or (if so determined by the Board, the board of the relevant Subsidiary or the board of the relevant associated company of the Company, as the case may be) on any other ground on which an employer would be entitled to summarily terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with the Group unless the Board otherwise determines to grant an extension at its absolute discretion.

(xv) Effects of alterations to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to the Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

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(xvi) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or share re-purchase offer) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional prior to the expiry of the relevant option period, the grantee (or his personal representative(s)) shall be entitled to exercise the option in full by notice in writing (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xvii) Rights on winding-up

In the event a notice is given by the Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company other than for the purpose of a reconstruction, amalgamation or scheme of arrangement, the Company shall forthwith or soon after it despatches such notice to each member of the Company, give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company, accompanied by the remittance for the full amount of the Subscription Price in respect of the relevant Option (such notice to be received by the Company not later than two business days prior to the proposed general meeting of the Company) exercise the Option (to the extent which has become exercisable and not already exercised) whether in full or in part and the Company shall as soon as possible and, in any event, no later than two business day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares.

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(xviii) Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and the Shareholders or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees on the same day or soon after it dispatches the notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement, and thereupon each grantee (or his personal representative(s)) may by notice in writing to the Company accompanied by the remittance for the full amount of the subscription price in respect of the relevant option (such notice to be received by the Company not later than two business day before the proposed meeting) exercise any of his options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. The Company shall as soon as possible and in any event no later than 3:00 p.m. on the business day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(xix) Rights on scheme of arrangement

If a scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Option by notice in writing (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv) or (xviii) above;
- (cc) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in paragraph (xvii) above;

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- (dd) subject to the scheme of arrangement as referred to in paragraph (xix) above becoming effective, the expiry of the period referred to in that paragraph;
- (ee) (i) subject to the expiry of the period of extension (if any) referred to in paragraph (xiv) above, the date on which the grantee ceases to be a participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in paragraph (ff)(ii) below. A transfer of employment from one company in the Group to another company in the Group shall not be considered as a cessation of employment;
- (ii) the date on which the grantee ceases to be a participant by reason of the termination of his employment on the grounds that he has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence or (if so determined by the Board, the board of the relevant Subsidiary or the board of the relevant associated company of the Company, as the case may be) on any other ground on which an employer would be entitled to summarily terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company, the relevant Subsidiary or the relevant associated company of the Company (as the case may be). A resolution of the Board, the board of the relevant Subsidiary or the board of the relevant associated company of the Company (as the case may be) to the effect that the employment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the grantee;
- (ff) the date of the commencement of the winding-up of the Company referred to in paragraph (xvii) above;
- (gg) the date on which the grantee commits a breach of paragraph (xii) above; or
- (hh) the date on which the option is cancelled by the Board as provided in paragraph (xxii) below.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date.

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(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that the definition of "Grantee" and "Participants" under the Share Option Scheme and the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or participants except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules.

(xxiv) Termination to the Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Listing Division of the Stock Exchange granting the [REDACTED] of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; (ii) the obligation of the Underwriter Agreement becoming unconditional (including, if relevant, as a result of the waives of any such condition(s)) and not being terminated in accordance with the terms of that agreement or otherwise; and (iii) the commencement of trading of Shares on the GEM.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for [REDACTED] of and permission to deal in [REDACTED] Shares which fall to be issued pursuant to the exercise of the options 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

Mr. Ng and Masterveyor (collectively, the "Indemnifiers") have, under the Deed of Indemnity referred to in item (e) of the paragraph headed "B. Further information about the business — 1. Summary of material contracts" in this appendix, given joint and several indemnities to the Company for itself and as trustee for its subsidiaries in connection with, among other things,

- (a) any taxation falling on any member of the Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the [REDACTED] becomes unconditional (including but not limited to any further tax liability and/or the resulting penalty or surcharge as assessed by the IRD in relation to the tax undercharged for the years of assessment 2012/2013 and 2013/2014 for which the Group may be liable); or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the [REDACTED] becomes unconditional;
- (b) any liability for Hong Kong estate duty which is or hereafter become payable by any member of the Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of the Group on or before the date on which the [REDACTED] becomes unconditional;
- (c) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of the Group since the date of incorporation of each member of the Group and up to the date on which the [REDACTED] becomes unconditional;
- (d) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of the Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of the Group in relation to events occurred on or before the date on which the [REDACTED] becomes unconditional; and
- (e) any non-compliance with the applicable laws, rules or regulations by the Company and/or any member of the Group on or before the date on which the [REDACTED] becomes unconditional.

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The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited accounts of the Company for the Track Record Period; or
- (b) 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
- (c) the taxation liability arises in the ordinary course of business of any members of the Group after 31 March 2015 up to and including 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 is likely to fall on the Group.

2. Litigation

Save as otherwise disclosed in the paragraph headed "Litigations and Claims" under the section headed "Business" in this document, the Directors confirmed that as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of the Group.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Division for [REDACTED] of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

The Group agreed to pay the Sponsor a fee of HK\$4.3 million, which relates solely to services provided by the Sponsor in the capacity of sponsor.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately HK\$61,000 and are payable by the Company.

5. Promoter

The Company has no promoter for the purpose of the GEM Listing Rules.

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6. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name	:	Masterveyor
Place of incorporation	:	British Virgin Islands
Date of incorporation	:	24 February 2015
Registered office	:	OMC Chambers Wickham Cay 1 Road Town, Tortola British Virgin Islands
Number of Sale Shares	:	[REDACTED]

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

Name	Qualification
Messis Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountant
Khoo & Co.	Legal Adviser to the Company as to Hong Kong Law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Edwin Yeung & Company (CPA) Limited	Tax adviser to the Company
Baker Tilly	Internal Control Consultant
Yek Narayan Sharma	Nepal Advocate

8. Consents of experts

Each of MESSIS Capital Limited, Deloitte Touche Tohmatsu, Khoo & Co., Conyers Dill & Pearman, Edwin Yeung & Company (CPA) Limited, Baker Tilly and Yek Narayan Sharma has given and has not withdrawn its written consents to the issue of this document, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

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9. 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.

10. Registration procedures

The principal register of members of the Company in the Cayman Islands will be maintained by [REDACTED] and a branch register of members of the Company will be maintained 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 Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into [REDACTED].

11. No material adverse change

Save for the expenses expected to be incurred in connection with the [REDACTED], the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 31 March 2015 (being the date to which the latest audited financial statements of the Group were made up) and up to the date of this document, and there is no event since 31 March 2015 which would materially affect the information shown in the consolidated financial information included in the Accountants' Report set forth in Appendix I to this document.

12. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of the Company.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, the Directors or parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

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13. Miscellaneous

- (a) Save as disclosed in this document:
 - (i) within the two years immediately preceding the date of this document:
 - (aa) no Share or loan capital of the Company or any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of the Company or any of the subsidiaries;
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of the subsidiaries;
 - (dd) no founder, management or deferred shares or any debentures of the Company have been issued or agreed to be issued; and
 - (ee) no Share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
 - (ii) 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 12 months immediately preceding the date of this document;
 - (iii) none of Messis Capital Limited, Deloitte Touche Tohmatsu, Khoo & Co., Conyers Dill & Pearman, Edwin Yeung & Company (CPA) Limited, Baker Tilly and Yek Narayan Sharma:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of the Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, including the Shares;
 - (iv) the Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
 - (v) no company within the Group is presently [REDACTED] on any stock exchange or traded on any trading system; and
 - (vi) the Group has no outstanding convertible debt securities.
- (b) the English text of this document shall prevail over the Chinese text.

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14. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were (a) the written consents referred to in the paragraph headed "E. Other information — 8. Consents of experts" in Appendix IV to this document; (b) copies of the material contracts referred to in the paragraph headed "B. Further information about the business — 1. Summary of material contracts" in Appendix IV to this document; and (c) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Khoo & Co. at 2nd Floor, Tern Centre Tower 2, 251 Queen's Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the accountants' report of the Group dated the date of this document prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of the Company for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015;
- (d) the assurance report on unaudited pro forma financial information from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;
- (e) the material contracts referred to in the paragraph headed "B. Further information about the business — 1. Summary of material contracts" in Appendix IV to this document;
- (f) the service agreements and letters of appointment referred to in the paragraph headed "C. Further information about Substantial Shareholders, Directors and experts — 2. Particulars of service contracts" in Appendix IV to this document;
- (g) the rules of the Share Option Scheme;
- (h) the written consents referred to in the paragraph headed "E. Other information — 8. Consents of experts" in Appendix IV to this document;
- (i) the internal control report prepared by Baker Tilly, the Group's internal control consultant;
- (j) the Companies Law;
- (k) the letter of advice prepared by Yek Narayan Sharma in respect of certain issues regarding the project undertaken by FDBL in Nepal;
- (l) the tax opinion issued by Edwin Yeung & Company (CPA) Limited, the Group's tax adviser;

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

- (m) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this document;
- (n) the statement of particulars of the Selling Shareholder referred to in the paragraph headed "E. Other information — 6. Particulars of the Selling Shareholder" in Appendix IV to this document; and
- (o) the legal opinion issued by the Hong Kong Legal Advisers in respect of certain statements referred to in this document.