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

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

[Date]

The Directors
G & M Holdings Limited
Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information of G & M Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016 (the "Relevant Periods") and the combined statements of financial position of the Group as at 31 December 2014 and 2015 and 30 September 2016, together with a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the [REDACTED] of the Company dated [REDACTED] (the "[REDACTED]") in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 29 November 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as more fully explained in note 2 to the Financial Information, the Company has since [●] become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation.

The Group is principally engaged in provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. As of the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Join Forward Group Limited ("Join Forward")	The British Virgin Islands (the "BVI")/Limited liability company/ 3 November 2015	Hong Kong	4 shares of United States Dollars ("US$") 1 each	100%	—	Investment holding

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
G & M Engineering Company Limited ("G & M Engineering")	Hong Kong/Limited liability company/ 16 November 1993	Hong Kong	1,000,000 shares of Hong Kong Dollars ("HK$") 1,000,000	—	100%	Provision of one-stop design and build solutions for facade and curtain wall and undertaking repair and maintenance services
G & M Contracting Limited ("G & M Contracting")	Hong Kong/Limited liability company/ 31 October 2013	Hong Kong	10,000 shares of HK$10,000	—	100% (note (a))	Provision of project management services
G & M Curtain Wall Maintenance Services Limited ("G & M Maintenance")	Hong Kong/Limited liability company/ 28 April 2010	Hong Kong	10,000 shares of HK$10,000	—	100% (note (b))	Provision of repair and maintenance services for podium facade and curtain wall
深圳信越設計有限公司 ("G & M Design")	People's Republic of China ("PRC")/Wholly foreign-owned enterprise/ 27 January 2016	PRC	HK$1,000,000	—	100%	Design of aluminium curtain wall, glass curtain wall and aluminium claddings

Notes:

(a) Upon acquisition of 25% equity interest of G & M Contracting by G & M Engineering from the non-controlling shareholder on 24 December 2015 as part of the Reorganisation as disclosed in note 2 to the Financial Information, G & M Engineering's equity interest in G & M Contracting increased from 75% to 100%;

(b) Upon acquisition of 20% equity interest of G & M Maintenance from the non-controlling shareholder on 1 February 2016 as part of the Reorganisation as disclosed in note 2 to the Financial Information, the Group's equity interest in G & M Maintenance increased from 80% to 100%.

The Company and all of the above subsidiaries have adopted 31 December as their financial year end date. G & M Maintenance has changed its financial year end date from 31 March to 31 December so as to facilitate the preparation of the Financial Information of the Group.

No audited financial statements have been prepared for the Company as it is newly incorporated and has not been involved in any significant business transactions except for the Reorganisation.

No audited financial statements have been prepared for Join Forward since it is not subject to any statutory audit requirements under its jurisdiction of incorporation.

The statutory financial statements of G & M Engineering and G & M Contracting for the year ended 31 December 2015 and G & M Maintenance for the nine months ended 31 December 2015 were audited by BDO Limited, certified public accountants, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The statutory financial statements of G & M Engineering and G & M Contracting for the year ended 31 December 2014 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA. The statutory financial statements of G & M Maintenance for the years ended 31 March 2014 and 2015 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA. These statutory financial statements were audited by KTC Prima CPA Limited, certified public accountants.

No audited financial statements have been prepared for G & M Design since its date of incorporation.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below which conform to HKFRSs issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustment made thereon.

RESPONSIBILITY

The directors of the Company are responsible for the contents of the [REDACTED] including the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

BASIS OF OPINION IN RESPECT OF THE FINANCIAL INFORMATION

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 2 to the Financial Information below and in accordance with the accounting policies set out in note 3 to the Financial Information below, gives a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and 30 September 2016, and of the financial performance and cash flows of the Group for the Relevant Periods.

CORRESPONDING FINANCIAL INFORMATION

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

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

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

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

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 December		Nine months ended 30 September	
		2014	**2015**	**2015**	**2016**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	7	151,304	218,820	150,890	203,598
Cost of revenue		(100,911)	(147,753)	(97,661)	(137,443)
Gross profit		50,393	71,067	53,229	66,155
Other income, gains and losses	8	544	588	438	14
Administrative and other operating expenses		(13,274)	(14,141)	(10,321)	(13,597)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	9	(324)	(466)	(340)	(322)
Profit before income tax	10	37,339	55,863	43,006	50,562
Income tax expense	11	(6,074)	(9,371)	(7,116)	(8,835)
Profit for the year/period		31,265	46,492	35,890	41,727
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
- Change in fair value of available-for-sale investments		(74)	—	(266)	—
- Reclassification on impairment of available-for-sale investments		66	—	—	—
- Release upon disposal of available-for-sale investments		(133)	(37)	—	—
- Exchange difference arising from translation of foreign operation		—	—	—	(22)
		(141)	(37)	(266)	(22)
Total comprehensive income for the year/period		31,124	46,455	35,624	41,705

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

Combined Statements of Financial Position

				As at
		As at 31 December		**30 September**
	Notes	**2014**	**2015**	**2016**
		HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	1,156	840	3,560
Prepayment for acquisition of property, plant and equipment		—	922	436
Available-for-sale investments	16	2,278	—	—
		3,434	1,762	3,996
Current assets				
Inventories	17	1,033	1,148	544
Amounts due from customers of contract works	18	42,910	19,954	12,237
Trade and other receivables	19	23,248	18,927	71,674
Amount due from a director	20	—	7,646	8,876
Held-to-maturity investments	21	2,850	—	—
Pledged bank deposits	22	8,717	4,205	21,209
Cash and bank balances	23	52,118	115,103	59,754
		130,876	166,983	174,294
Current liabilities				
Amounts due to customers of contract works	18	15,948	18,927	26,888
Trade and other payables	24	29,290	43,737	39,296
Amount due to a director	20	1,058	—	—
Tax payable		8,022	12,254	7,410
Bank borrowings	25	11,316	7,600	19,819
Obligation under finance lease	26	201	207	212
		65,835	82,725	93,625
Net current assets		65,041	84,258	80,669
Total assets less current liabilities		68,475	86,020	84,665

		As at 31 December		As at 30 September
	Notes	**2014**	**2015**	**2016**
		HK$'000	*HK$'000*	*HK$'000*
Non-current liability				
Obligation under finance lease	26	385	178	18
Net assets		68,090	85,842	84,647
CAPITAL AND RESERVES				
Share capital	27	1,010	10	—
Reserves	28	66,181	84,653	84,647
Equity attributable to owners of the Company		67,191	84,663	84,647
Non-controlling interests	29	899	1,179	—
Total equity		68,090	85,842	84,647

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company							
	Share capital	**Merger reserve***	**Available-for-sale investments reserve***	**Translation reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000 (note 28)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	1,010	(2)	178	—	35,393	36,579	416	36,995
Profit for the year	—	—	—	—	30,753	30,753	512	31,265
Other comprehensive income for the year:								
- Change in fair value of available-for-sale investments	—	—	(74)	—	—	(74)	—	(74)
- Reclassification on impairment of available-for-sale investments	—	—	66	—	—	66	—	66
- Release upon disposal of available-for-sale investments	—	—	(133)	—	—	(133)	—	(133)
Total comprehensive income for the year	—	—	(141)	—	30,753	30,612	512	31,124
Dividend paid by subsidiary attributable to non-controlling interest (note 13)	—	—	—	—	—	—	(29)	(29)
At 31 December 2014 and 1 January 2015	1,010	(2)	37	—	66,146	67,191	899	68,090
Profit for the year	—	—	—	—	46,168	46,168	324	46,492
Other comprehensive income for the year:								
- Release upon disposal of available-for-sale investments	—	—	(37)	—	—	(37)	—	(37)
Total comprehensive income for the year	—	—	(37)	—	46,168	46,131	324	46,455

	Equity attributable to owners of the Company							
	Share capital	**Merger reserve***	**Available-for-sale investments reserve***	**Translation reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000 (note 28)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Acquisition of non-controlling interest (note 29)	—	—	—	—	(99)	(99)	96	(3)
Arising from Reorganisation	(1,000)	1,000	—	—	—	—	—	—
Dividends declared (note 13)	—	—	—	—	(28,560)	(28,560)	(140)	(28,700)
At 31 December 2015 and 1 January 2016	10	998	—	—	83,655	84,663	1,179	85,842
Profit for the period	—	—	—	—	41,702	41,702	25	41,727
Other comprehensive income for the period:								
- Exchange difference arising from translation of foreign operation	—	—	—	(22)	—	(22)	—	(22)
Total comprehensive income for the period	—	—	—	(22)	41,702	41,680	25	41,705
Acquisition of non-controlling interest (note 29)	—	—	—	—	(196)	(196)	(1,204)	(1,400)
Arising from Reorganisation	(10)	10	—	—	—	—	—	—
Deemed distribution to a controlling shareholder (note 29)	—	(5,600)	—	—	—	(5,600)	—	(5,600)
Dividend declared (note 13)	—	—	—	—	(35,900)	(35,900)	—	(35,900)
At 30 September 2016	—	(4,592)	—	(22)	89,261	84,647	—	84,647

	Equity attributable to owners of the Company							
	Share capital	Merger reserve*	Available-for-sale investments reserve*	Translation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000* *(note 28)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Unaudited)								
At 1 January 2015	1,010	(2)	37	—	66,146	67,191	899	68,090
Profit for the period	—	—	—	—	35,700	35,700	190	35,890
Other comprehensive income for the period:								
- Change in fair value of available-for-sale investments	—	—	(266)	—	—	(266)	—	(266)
Total comprehensive income for the period	—	—	(266)	—	35,700	35,434	190	35,624
Dividend declared (note 13)	—	—	—	—	(28,560)	(28,560)	(140)	(28,700)
At 30 September 2015	1,010	(2)	(229)	—	73,286	74,065	949	75,014

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

Combined Statements of Cash Flows

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

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

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in Cayman Islands on 29 November 2016. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Units 1709-14, 17th Floor, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong (the "Business").

2. REORGANISATION AND BASIS OF PRESENTATION

Prior to the incorporation of the Company and the completion of the Reorganisation, the Business was carried on by certain companies now comprising the Group (hereinafter collectively referred to as the "Operating Companies").

Pursuant to the Reorganisation conducted by the companies now comprising the Group to prepare for the [REDACTED] (the "[REDACTED]") of the Company's shares on the Stock Exchange, the Company has since [●] become the holding company of its subsidiaries now comprising the Group by way of share swaps with the existing ultimate controlling shareholders (i.e. Mr. Lee Chi Hung ("Mr. Lee") and Mr. Leung Ping Kwan ("Mr. Leung")). Part of the steps under the Reorganisation are described below:

(a) Join Forward was incorporated in the BVI on 3 November 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On 4 December 2015, one subscriber share was allotted and issued to each of Mr. Lee and Ms. Ku Nga Ping, the spouse of Mr. Leung ("Ms. Ku") and credited as fully paid at par. Pursuant to a confirmatory deed, Ms. Ku held 50% of the issued shares of Join Forward in trust for and on behalf of Mr. Leung.

(b) On 24 December 2015, Join Forward acquired (i) 500,000 shares of G & M Engineering from Mr. Lee and in consideration, Join Forward allotted and issued one share, credited as fully paid at par, to Mr. Lee; and (ii) 500,000 shares of G & M Engineering from Ms. Ku and in consideration, Join Forward allotted and issued one share, credited as fully paid at par, to Ms. Ku. Pursuant to a confirmatory deed, Ms. Ku held 50% of the issued shares of G & M Engineering in trust for and on behalf of Mr. Leung and the transfer by Ms. Ku was under the direction of Mr. Leung. Upon completion of the above acquisitions, G & M Engineering becomes a wholly-owned subsidiary of Join Forward.

(c) On 24 December 2015, G & M Engineering acquired 25% of the issued shares of G & M Contracting from the non-controlling shareholder at the consideration of HK$2,500.

(d) On 31 December 2015, Ms. Ku (at the direction of Mr. Leung) transferred one share (representing 25% of the issued shares) of Join Forward to Mr. Lee at the consideration of HK$40,000,000.

(e) On 27 January 2016, G & M Design was incorporated in the PRC as a wholly foreign-owned enterprise with a registered capital of HK$1,000,000, which was contributed fully by G & M Engineering.

(f) On 1 February 2016, Mr. Lee acquired 2,000 shares of G & M Maintenance (representing 20% of the issued shares) from the non-controlling shareholder at the consideration of HK$1,400,000. Upon the acquisition, Mr. Lee became the sole shareholder of G & M Maintenance.

(g) On 26 April 2016, Join Forward acquired 10,000 shares of G & M Maintenance (representing 100% of the issued shares) from Mr. Lee at the consideration of HK$7,000,000. Upon the acquisition, G & M Maintenance became a wholly-owned subsidiary of Join Forward.

(h) Luxury Booming Limited ("Luxury Booming") was incorporated in the BVI on 3 November 2015 and was authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1 each. On 4 December 2015, one subscriber share was allotted and issued as fully paid to Mr. Lee.

(i) The Company was incorporated in the Cayman Islands on 29 November 2016. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Luxury Booming on the same date.

(j) On 9 January 2017, Ms. Ku, at the direction of Mr. Leung, transferred one share of Join Forward back to Mr. Leung at par.

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

(l) On [●], Mr. Lee and Mr. Leung entered into a reorganisation agreement and pursuant to which the Company acquired the entire issued share capital of Join Forward from Mr. Lee and Mr. Leung and in consideration, at the direction of Mr. Lee and Mr. Leung, the Company allotted and issued as fully paid one share to Luxury Booming, and the Company credited the one nil paid share held by Luxury Booming referred to in step (i) above as fully paid. Upon completion of the acquisition, Join Forward became a wholly-owned subsidiary of the Company.

Upon completion of the aforementioned steps of the Reorganisation, the issued share capital of the Company was wholly owned by Luxury Booming, whereas the issued share capital of Luxury Booming was held as to (i) 75% by Mr. Lee; and (ii) 25% by Mr. Leung.

Immediately prior to and after the Reorganisation, the Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Business are transferred to and held by the Company. The share swaps have no substance and do not form a business combination, and accordingly, the Financial Information of the Company was combined with that of the operating subsidiaries using the predecessor carrying amounts. The Reorganisation is therefore merely a reorganisation of the Business and does not constitute a business combination, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

The combined statements of comprehensive income and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 December 2014 and 2015 and 30 September 2016 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

The assets and liabilities of the companies now comprising the Group are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of preparation**

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies set out below, which conform to HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Main Board Listing Rules (the "Listing Rules").

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and became effective during the Relevant Periods. In preparing this Financial Information, the Group has adopted all these new or revised HKFRSs consistently throughout the Relevant Periods.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not yet effective and have not been adopted early by the Group. Details of which are set out in note 4.

The Financial Information have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The Financial Information are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of the Company and its major subsidiaries.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

(b) **Basis of combination**

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. As explained in note 2 above, the Reorganisation is accounted for using merger basis of accounting.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(c) **Subsidiaries**

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(d) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture and fixtures	5 years
Office equipment	5 years
Plant and machinery	5 years
Motor vehicles	3 years
Leasehold improvement	Over the shorter of 2 years or the remaining lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 3(n)).

The gain or loss on disposal of an item of plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) **Leasing**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) **Financial instruments**

(i) ***Financial assets***

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Available-for-sale investments

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors) and also incorporated other types of contractual and monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) ***Impairment loss on financial assets***

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of loans and receivables is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realised or has been transferred to the Group.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For held-to-maturity investments

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For available-for-sale investments

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(iii) ***Financial liabilities***

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

The Group classifies its financial liabilities as financial liabilities at amortised costs, which include trade and other payables, amount due to a director, bank borrowings and obligation under finance lease, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) ***Derecognition***

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) **Recognition of revenue and other income**

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

(i) When the outcome of construction contracts can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period (note 3(h));

(ii) Maintenance service income is recognised when services are provided;

(iii) Dividend income from investments is recognised when the shareholders' right to receive payment have been established;

(iv) Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

(h) **Construction contracts**

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred. Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

Amounts due from customers of contract works represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract works represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials, project staff costs and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract works provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the combined statement of financial position under "Trade and other receivables".

Retention monies, representing amounts of progress billings which are payable to subcontractors or receivables from customers when conditions specified in the contracts undertaken are satisfied, are included in the combined statement of financial position under “Trade and other payables” and “Trade and other receivables” respectively.

(i) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

(j) **Income taxes**

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) **Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) **Foreign currency**

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of preparing the Financial Information, income and expense items of foreign operations are translated into the functional currency of the Company (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(m) **Employee benefits**

(i) ***Short-term employee benefits***

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) ***Defined contribution retirement plan***

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income.

Contributions are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) ***Termination benefits***

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) **Impairment of non-financial assets**

Property, plant and equipment and prepayment for acquisition of property, plant and equipment are subject to impairment testing. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(o) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which required a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investment of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) **Segment reporting**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(r) **Related parties**

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The following new and revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Financial Information.

Amendments to HKAS 7	Disclosure Initiatives[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]

HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 To be determined

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. Those new or revised HKFRSs that are expected to have a material impact on the Group's financial statements are set out below.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

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

Under HKFRS 15, revenue is either recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progress, broadly similar to the method under HKAS 11.

However, revenue recognition will be significantly delayed if it cannot be established that performance obligations are satisfied over time. In addition, contract modifications will be required to be approved before revenue is recognised. This new requirement may result in revenue from contract modification to be recognised later than it would have been under HKAS 11.

The directors do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

The new standard specifies how an entity to recognise, measure, present and disclose leases.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 “Property, plant and equipment”, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

Lessors continue to classify leases as operating or finance with HKFRS 16’s approach to lessor accounting substantially unchanged from its predecessor HKAS 17.

As set out in note 30, total operating lease commitment of the Group in respect of leased premises and car parks as at 30 September 2016 amounted to HK$4,323,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16.

Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group’s results and financial position upon application.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

In the application of the Group’s accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

(i) ***Held-to-maturity investments***

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity. Directors exercise judgment based on the Group’s treasury objective and financial risk management policy to determine whether the financial assets are to be classified as held-to-maturity.

(ii) ***Impairment of available-for-sale investments***

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) ***Percentage of completion of construction contract***

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, management reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgment by the management. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts when those construction contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised in the financial statements.

(ii) ***Estimation of total budgeted costs and cost to completion for construction contracts***

Total budgeted costs for construction contracts comprise (i) direct material costs and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (ii) recent offers agreed with sub-contractors and suppliers; and (iii) professional estimation on material costs, project staff costs and other costs.

(iii) ***Warranty provision***

The Group provides warranty to customers for a period up to 15 years for the contracts completed by the Group. The Group undertakes to rectify the defects within the warranty period. The warranty provision has been recognised for expected costs to rectify the defects based on past experience of warranty claims by customers. Management will review the sufficiency of provision and make adjustments, if appropriate, at the end of each reporting period.

(iv) ***Impairment of receivables***

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables (including amounts due from a director) and on the specific circumstances for each account. Judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

(v) ***Estimation of current and deferred tax***

The Group is subjected to Hong Kong taxation. Significant judgement is required in determining the amount of the provision for taxation. The Group recognised income tax based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expenses in the period in which the tax calculations are finalised with the tax authority.

(vi) ***Fair value measurement***

Certain of the Group's financial assets require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

The Group measures the available-for-sale investments at fair value. For more detailed information in relation to the measurement of these financial instruments, please refer to note 37.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-marker, i.e. directors of the Company who are used to make strategic decisions.

During the Relevant Periods, the directors assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. Therefore the Group has only one operating segment that qualifies as reporting segment under HKFRS 8. The Group operates in Hong Kong and the PRC. All of the Group's revenue are derived from Hong Kong, and more than 90% of the Group's non-current assets are located in Hong Kong. Accordingly, no separate segmental analysis is presented.

(b) **Information about major customers**

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	Year ended 31 December		Nine months ended 30 September	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Customer I	79,293	187,630	127,671	145,744
Customer II	36,859	—	—	—
Customer III	—	—	—	42,768

7. REVENUE

The Group is principally engaged in the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. Revenue derived from the principal activity comprises the followings:

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

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		Nine months ended 30 September	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Bank interest income	111	74	74	4
Dividend income from investments	63	69	45	—
Interest income from held-to-maturity investments	237	470	299	—
Gain/(Loss) on disposal of investments	180	(63)	—	—
Impairment of available-for-sale investments	(66)	—	—	—
Gain/(Loss) on disposal of property, plant and equipment	—	20	20	(16)
Others	19	18	—	26
	544	588	438	14

9. FINANCE COSTS

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

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

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

* Included in administrative and other operating expenses

11. INCOME TAX EXPENSE

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

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

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law of the Cayman Islands and is accordingly not subject to income tax in the Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

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

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

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

12. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors for the Relevant Periods are set out below:

	Fees	Salaries, allowances and other benefits	Discretionary bonuses	Pension scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014					
Executive directors					
Mr. Lee	—	485	—	16	501
Mr. Chan Wai Yin	—	546	210	17	773
Non-executive director					
Mr. Leung	—	—	—	—	—
	—	1,031	210	33	1,274
Year ended 31 December 2015					
Executive directors					
Mr. Lee	—	519	—	18	537
Mr. Chan Wai Yin	—	568	131	18	717
Non-executive director					
Mr. Leung	—	—	—	—	—
	—	1,087	131	36	1,254

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

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

(b) **Five highest paid individuals**

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

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

The emoluments were within the following bands:

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

(c) During the Relevant Periods, no emoluments were paid by the Group to the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

(d) **Senior management's emoluments**

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	Year ended 31 December		Nine months ended 30 September	
	2014	**2015**	**2015**	**2016**
	No. of individuals	*No. of individuals*	*No. of individuals (Unaudited)*	*No. of individuals*
Nil to HK$1,000,000	3	3	3	4
HK$1,000,001 to HK$1,500,000	—	1	—	—

13. DIVIDENDS

	Year ended 31 December		Nine months ended 30 September	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Interim dividends attributable to				
- Owners of the Company	—	28,560	28,560	35,900
- Non-controlling interests	29	140	140	—
	29	28,700	28,700	35,900

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

For the year ended 31 December 2014, the director of a subsidiary declared interim dividend amounting to HK$117,000, of which HK$88,000 was attributable to another subsidiary whereas HK$29,000 was attributable to the non-controlling interest.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

14. EARNINGS PER SHARE

The calculations of earnings per share for the Relevant Periods are based on the profit attributable to owners of the Company for the years ended 31 December 2014 and 2015 of HK$30,753,000 and HK$46,168,000 respectively, and for the nine months ended 30 September 2015 and 2016 of HK$35,700,000 and HK$41,702,000 respectively, and on the basis of [REDACTED] shares of the Company in issue, being the number of shares in issue immediately after the completion of the Capitalisation Issue as further descried in note 39(c), as if these shares had been issued throughout the Relevant Periods.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Motor vehicles	Plant and machinery	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
As at 1 January 2014	646	2,064	745	27	139	3,621
Additions	26	403	967	—	—	1,396
Written off	(5)	(99)	(340)	—	—	(444)
As at 31 December 2014 and 1 January 2015	667	2,368	1,372	27	139	4,573
Additions	2	277	—	—	—	279
Disposal	—	—	(149)	—	—	(149)
As at 31 December 2015	669	2,645	1,223	27	139	4,703
Accumulated depreciation						
As at 1 January 2014	628	1,792	745	27	139	3,331
Depreciation	18	211	290	—	—	519
Written off	(5)	(88)	(340)	—	—	(433)
As at 31 December 2014 and 1 January 2015	641	1,915	695	27	139	3,417
Depreciation	7	238	290	—	—	535
Disposal	—	—	(89)	—	—	(89)
As at 31 December 2015	648	2,153	896	27	139	3,863
Net carrying amount						
As at 31 December 2014	26	453	677	—	—	1,156
As at 31 December 2015	21	492	327	—	—	840

	Furniture and fixtures	Office equipment	Motor vehicles	Plant and machinery	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Nine months ended 30 September 2016						
Cost						
As at 31 December 2015 and 1 January 2016	669	2,645	1,223	27	139	4,703
Additions	5	236	600	278	2,677	3,796
Written off	—	(979)	—	—	(139)	(1,118)
Disposal	(644)	—	—	—	—	(644)
As at 30 September 2016	30	1,902	1,823	305	2,677	6,737
Accumulated depreciation						
As at 1 January 2016	648	2,153	896	27	139	3,863
Depreciation	4	146	319	14	569	1,052
Written off	—	(973)	—	—	(139)	(1,112)
Disposal	(626)	—	—	—	—	(626)
As at 30 September 2016	26	1,326	1,215	41	569	3,177
Net carrying amount						
As at 30 September 2016	4	576	608	264	2,108	3,560

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

16. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December		As at 30 September
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
At fair value:			
Equity securities, listed in Hong Kong	1,517	—	—
Investment funds	761	—	—
	2,278	—	—

The available-for-sale investments were disposed of during the year ended 31 December 2015.

17. INVENTORIES

	As at 31 December		As at 30 September
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Raw materials and consumables	1,033	1,148	544

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

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

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

19. TRADE AND OTHER RECEIVABLES

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

Notes:

(a) The credit period granted to trade debtors ranged from 20 to 60 days.

Included in trade receivables was a balance due from a related company amounting to HK$28,000 as at 31 December 2014 which arose from the trading transaction as disclosed in note 35. The balance was unsecured, interest free and due for settlement within 30 days from invoice date.

The ageing analysis of the trade receivables (net), based on invoice date, as of the end of each of the Relevant Periods is as follows:

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

The ageing analysis of the trade receivables (net), based on due date, as of the end of each of the Relevant Periods is as follows:

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	8,342	6,592	44,202
Past due but not impaired			
Past due less than 30 days	50	200	1,325
Past due for 30 or more but less than 60 days	309	8	557
Past due for 60 or more but less than 90 days	1,145	100	—
Past due for 90 days but less than 1 year	805	433	268
Past due for 1 year or more	873	1,562	1,595
	3,182	2,303	3,745
	11,524	8,895	47,947

Trade receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) As at 31 December 2014 and 2015 and 30 September 2016, based on due date, the Group's retention receivables of HK$6,539,000, HK$3,466,000 and HK$6,063,000 respectively were not yet past due and the remaining balance of HK$3,785,000, HK$2,865,000 and HK$4,661,000 respectively were past due, of which HK$514,000, HK$332,000 and HK$2,689,000 were past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting periods as those balances are due from customers with long business relationship and there has not been a significant change in their credit quality.

20. AMOUNT DUE FROM/(TO) A DIRECTOR

The amount due from/(to) a director is as follows:

Name	As at 1 January 2015	As at 31 December 2015	Maximum outstanding balance during the year
	HK$'000	*HK$'000*	*HK$'000*
Mr. Lee	(1,058)	7,646	8,356

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

Note:

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

21. HELD-TO-MATURITY INVESTMENTS

	As at 31 December		As at 30 September
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Debt securities, listed in Hong Kong	2,850	—	—

The debts securities were redeemed by the issuer on maturity in February 2015 and classified under current assets as at 31 December 2014 accordingly.

22. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 December 2014 and 2015 and 30 September 2016 are interest-bearing at fixed rates ranged from 0.1% to 2.7% per annum, 0.01% to 0.2% per annum and 0.01% to 0.2% per annum respectively and have maturity period of fifteen days to three months, four days to three months and three days to three months respectively. Among the pledged bank deposits as at 31 December 2014, HK$7,713,000 was denominated in Renminbi ("RMB") while the remaining balances were denominated in HK$.

Pledged bank deposits were placed in banks to secure the bank borrowings and banking facilities of the Group (note 25).

23. CASH AND BANK BALANCES

Cash at banks earns interest at floating rate based on daily bank deposits rates.

24. TRADE AND OTHER PAYABLES

	As at 31 December		As at 30 September
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	22,126	33,675	22,351
Retention payables	1,924	3,643	6,578
Accruals and other payables	5,240	6,419	7,952
Receipt in advance	—	—	2,415
	29,290	43,737	39,296

Notes:

(a) The credit period granted by the suppliers and subcontractors is normally 0 to 60 days.

(b) The ageing analysis of the trade payables (net), based on invoice date, as of the end of each of the Relevant Periods is as follows:

	As at 31 December		As at 30 September
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
0 — 30 days	8,023	15,071	9,361
31 — 60 days	3,429	9,397	2,851
61 — 90 days	533	2,281	2,613
Over 90 days	10,141	6,926	7,526
	22,126	33,675	22,351

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

25. BANK BORROWINGS

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

Notes:

(a) The bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2014 and 2015 and 30 September 2016 granted under banking facilities ranged from 5.25% to 5.50%, 5.25% to 5.50% and 5.25% to 6.50%, respectively per annum.

(b) The banking facilities as at 31 December 2014 and 2015 and 30 September 2016 in total of HK$64,750,000, HK$65,750,000 and HK$80,425,000 respectively were granted to the Group and secured/guaranteed by the following:

— Bank deposits as described in note 22;

— Personal guarantees from Mr. Lee, director and shareholder of the Company and Ms. Ku;

— Legal charge over (i) a property owned by Mr. Lee, director and shareholder of the Company, and his spouse as at 31 December 2014; and (ii) a property owned by Mr. Lee, director and shareholder of the Company, as at 31 December 2015 and 30 September 2016;

— Legal charge over a property owned by Mr. Leung, director and shareholder of the Company, and Ms. Ku as at 31 December 2014, 2015 and 30 September 2016; and

— Legal charge over a property owned by a related company, in which the spouse of Mr. Lee, director and shareholder of the Company and Mr. Leung, director and shareholder of the Company have equity interests as at 31 December 2014, 2015 and 30 September 2016.

The abovementioned personal guarantees and the legal charge over the properties existed at the date of this report will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the [REDACTED].

(c) The Group had utilised the banking facilities in respect of:

— Bank borrowings of HK$11,316,000, HK$7,600,000 and HK$19,819,000 respectively as at as at 31 December 2014 and 2015 and 30 September 2016; and

— As at 31 December 2014, 2015 and 30 September 2016, surety bonds issued by a bank in favour of the customers of certain construction contracts amounted to HK$10,905,000, HK$7,954,000 and HK$27,768,000 respectively and the respective construction contracts are completed or expected to be completed in year 2016, year 2016 and year 2017 to 2018 respectively.

26. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle and the lease is classified as finance lease. The lease obligation is secured by the leased asset (note 15).

Future lease payments are due as follows:

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

The present value of future lease payments is analysed as:

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

Notes:

(a) The Group's finance lease liabilities are subject to personal guarantee provided by Mr. Lee, director and shareholder of the Company.

(b) The effective interest rate of the Group's finance lease liability as at 31 December 2014 and 2015 and 30 September 2016 was 2.92%, 2.92% and 2.92% respectively per annum.

27. SHARE CAPITAL

The Company was incorporated on 29 November 2016 with authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Luxury Booming on 29 November 2016. On [●], the Company allotted and issued one share in aggregate to Luxury Booming which were credited as fully paid as consideration for the transfer of their shareholding interest in Join Forward to the Company.

For the purpose of this Financial Information, the share capital balance in the combined statement of financial position as at 31 December 2014 represented the issued share capital of G & M Engineering and G & M Maintenance as at that date whereas the share capital balance as at 31 December 2015 represented the issued share capital of Join Forward and G & M Maintenance. Share capital as at 30 September 2016 represented the issued capital of Join Forward.

28. RESERVES

Details of the movements of the Group's reserves for the Relevant Periods are presented in the combined statements of changes in equity.

Merger reserve was arising from combining the financial statements of the companies now comprising the Group.

29. NON-CONTROLLING INTERESTS

As at 31 December 2014, the Group held 75% equity interest of G & M Contracting and the carrying amount of non-controlling interest was HK$20,000. In the opinion of the directors, the non-controlling interest of this subsidiary is not material to the Group. On 24 December 2015, the Group acquired 25% equity interest in G & M Contracting held by the non-controlling shareholder at the consideration of HK$2,500 (note 2(c)). Upon completion of the acquisition, G & M Contracting became a wholly-owned subsidiary of G & M Engineering.

As at 31 December 2014 and 2015, the Group (through Mr. Lee, the controlling shareholder) held 80% equity interest of G & M Maintenance and the carrying amounts of non-controlling interest were HK$879,000 and HK$1,179,000 respectively. In the opinion of the directors, the non-controlling interest of this subsidiary is not material to the Group. On 1 February 2016, Mr. Lee acquired 20% equity interest in G & M Maintenance held by the non-controlling shareholder at the consideration of HK$1,400,000. Upon completion of the acquisition, G & M Maintenance was wholly owned by Mr. Lee (note 2(f)).

Deemed distribution to a controlling shareholder represented the difference between (i) the consideration of HK$1,400,000 paid by Mr. Lee in acquiring the 20% equity interest in G & M Maintenance held by the non-controlling shareholder; and (ii) the consideration of HK$7,000,000 paid by the Group to Mr. Lee for transferring 100% equity interest in G & M Maintenance to the Group, as disclosed in notes 2(f) and 2(g) above.

30. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises and car parks under operating lease arrangement. The leases run for an initial period of one to three years and are non-cancellable.

The total future minimum lease payments are due as follows:

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	207	576	2,062
Later than one year and not more than five years	3	439	2,261
	210	1,015	4,323

31. CAPITAL COMMITMENTS

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

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

32. GUARANTEES

The Group provided guarantee in respect of the surety bonds in favour of the customers of certain construction contracts. Details of these guarantees as of the end of each Relevant Periods are as follows:

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Aggregate value of the surety bonds issued in favour of customers (note 25(c))	10,905	7,954	27,768

As assessed by the directors, it is not probable that the bank would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made.

33. LITIGATIONS

During the Relevant Periods, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding at the end of each of the Relevant Periods. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the directors, sufficient insurance coverage is maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have material adverse impact on the financial position of the Group.

34. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) For the year ended 31 December 2014, the Group entered into finance lease arrangement in respect of acquisition of motor vehicle with an aggregate capital value at the inception of the lease of HK$820,000.

(b) For the year ended 31 December 2015, the Group disposed of investments in debt securities to Mr. Lee, director and shareholder of the Company, at a consideration of HK$8,424,000 and the amount was debited to current account with Mr. Lee.

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this Financial Information, the Group had the following transactions with its related parties:

(a) During the Relevant Periods, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Year ended 31 December 2014	Year ended 31 December 2015	Nine months ended 30 September 2015	Nine months ended 30 September 2016
			HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Kentan (HK) Company Limited (note i)	A director has equity interest	Purchase of materials	60	85	85	18
Profit Bright Enterprises Limited (note ii)	A director and spouse of another director have equity interests	Rental expenses paid	480	580	430	300
Mr. Lee (note iii)	Director	Sale of held-to-maturity investments	—	8,424	—	—

Notes:

(i) Mr. Lee, director and shareholder of the Company, has equity interest in Kentan (HK) Company Limited.

(ii) The spouse of Mr. Lee, director and shareholder of the Company, and Mr. Leung, director and shareholder of the Company, have equity interest in Profit Bright Enterprises Limited.

(iii) During the year ended 31 December 2015, the Group acquired new investments in debt securities at a consideration of HK$8,441,000, which bear interest at a rate ranged from 8.7% to 8.75% per annum and to be redeemed by the issuers in 2017 and 2018. Those investments were disposed of to Mr. Lee, director and shareholder of the Company, at a consideration of HK$8,424,000 in December 2015. A loss of HK$17,000 arising from the disposal of investments was recognised and included in "Other income, gains and losses" in the combined statement of comprehensive income.

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

(b) As at 31 December 2014 and 2015 and 30 September 2016, Mr. Lee, director and shareholder of the Company, and Mr. Leung, director and shareholder of the Company, provide the followings to secure the bank borrowings and banking facilities granted to the Group (note 25):

(i) Personal guarantees from Mr. Lee, director and shareholder of the Company, and Ms. Ku;

(ii) Legal charge over (i) a property owned by Mr. Lee, director and shareholder of the Company, and his spouse as at 31 December 2014; and (ii) a property owned by Mr. Lee, director and shareholder of the Company, as at 31 December 2015 and 30 September 2016;

(iii) Legal charge over a property owned by Mr. Leung, director and shareholder of the Company, and Ms. Ku; and

(iv) Legal charge over a property owned by a related company, which is owned by the spouse of Mr. Lee, director and shareholder of the Company, and Mr. Leung, director and shareholder of the Company.

The abovementioned personal guarantees and the legal charge over the properties existed at the date of this report will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the [REDACTED].

(c) As at 31 December 2014 and 2015 and 30 September 2016, the Group's finance lease arrangement is subject to the personal guarantee provided by Mr. Lee, director and shareholder of the Company.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31 December		**Nine months ended 30 September**	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries, allowances and other benefits	3,746	4,171	3,025	5,225
Contributions to defined contribution retirement plan	83	95	67	90
	3,829	4,266	3,092	5,315

36. CAPITAL MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debt to equity. Total debts include bank borrowings and obligation under finance lease. Equity represents total equity of the Group.

The directors of the Company actively and regularly reviews and manages the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, and raise new debts or sells assets to reduce debt.

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

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

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the Relevant Periods.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and financial liabilities:

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables			
- Trade and other receivables	22,620	16,372	60,204
- Amount due from a director	—	7,646	8,876
- Pledged bank deposits	8,717	4,205	21,209
- Cash and bank balances	52,118	115,103	59,754
	83,455	143,326	150,043
Available-for-sale investments	2,278	—	—
Held-to-maturity investments	2,850	—	—
Financial liabilities			
At amortised cost			
- Trade and other payables	29,290	43,737	36,881
- Amount due to a director	1,058	—	—
- Bank borrowings	11,316	7,600	19,819
- Obligation under finance lease	586	385	230
	42,250	51,722	56,390

(a) **Financial instruments not measured at fair value**

Financial instruments not measured at fair value include trade and other receivables, held-to-maturity investments, pledged bank deposits, cash and bank balances, trade and other payables, obligation under finance lease, bank borrowings and balance with a director.

Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

For disclosure purpose, the fair value of non-current obligation under finance lease is not materially different from it carrying value. The fair value has been determined by using discounted cash flow model and is classified as level 3 in the fair value hierarch. Significant inputs include the discount rates used to reflect the credit risk of the Group.

(b) **Financial instruments measured at fair value**

The Group's available-for-sale investments disclosed in note 16 are measured at fair value at the end of the reporting period. Their fair values are determined with reference to quoted market prices or dealer quotes.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2014				
Available-for-sale investments:				
- Investment funds	—	761	—	761
- Listed equity securities	1,517	—	—	1,517
	1,517	761	—	2,278

Level 2 investment funds comprise shares in investment funds that are stated with reference to the net asset value provided by the respective administrator of the investment fund.

There were no transfers between levels of the fair value hierarchy during the Relevant Periods.

38. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) **Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, including amount due from a director and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables (note 19), it is the Group's policy to deal only with creditworthy counterparties. Normally, the Group does not obtain collateral from the counterparties. In order to minimise credit risk, the management has formulated a credit policy for determination of credit limits and other follow-up action is taken to recover overdue debts.

In respect of cash and bank balances and pledged bank deposits, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

The Group provided guarantees in respect of the surety bonds issued in favour of several customers (note 32). As at 31 December 2014 and 2015 and 30 September 2016, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK$10,905,000, HK$7,954,000 and HK$27,768,000 respectively, which represented the maximum amount the Group could be required to pay if the guarantees were called on. Management considers that it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of reporting period, the Group has a certain concentration of credit risk as 3% and 78%, 46% and 86%, and 7% and 94% of the Group's trade receivables as at 31 December 2014 and 2015 and 30 September 2016 respectively was due from the Group's largest customer and the Group's five largest customers respectively.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(b) **Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings and finance lease liability. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 December 2014 and 2015 and 30 September 2016 bore interest at floating rates whereas its finance lease liability bears interest at fixed rates. Details of bank borrowings and finance lease liability are disclosed in notes 25 and 26 respectively.

The Group's bank balances, including pledged bank deposits also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year/period and retained profits			
	Year ended 31 December		**Nine months ended 30 September**	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Changes in interest rate				
+1%	(24)	(10)	(12)	(22)
-1%	24	10	12	22

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting period resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

(c) **Foreign currency risk**

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Net financial assets/(liabilities)			
RMB	9,024	18	18
EUR	12	—	(1,330)

Sensitivity analysis

The following table illustrates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the reporting period.

	Increase/(Decrease) in profit for the year and retained profits			
	Year ended 31 December		Nine months ended 30 September	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
RMB appreciated by 3%	271	1	—	1
EUR appreciated by 3%	—	—	—	(40)

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of each of the reporting period does not reflect the exposure during the respective years.

(d) **Liquidity risk**

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2014				
Trade payables and accruals	29,290	29,290	29,290	—
Amount due to a director	1,058	1,058	1,058	—
Bank borrowings	11,316	11,425	11,425	—
Obligation under finance lease	586	610	215	395
	42,250	42,383	41,988	395
As at 31 December 2015				
Trade and other payables	43,737	43,737	43,737	—
Bank borrowings	7,600	7,695	7,695	—
Obligation under finance lease	385	395	215	180
	51,722	51,827	51,647	180
As at 30 September 2016				
Trade payables and accruals	36,881	36,881	36,881	—
Bank borrowings	19,819	20,123	20,123	—
Obligation under finance lease	230	233	215	18
	56,930	57,237	57,219	18

39. SUBSEQUENT EVENTS

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

(a) In December 2016, an interim dividend of HK$10,000,000 was declared by subsidiaries of the Company to its then respective shareholder(s). Such dividend was paid in full on 31 December 2016;

[(b) Pursuant to the resolution passed by the sole shareholder of the Company on [●], the authorised share capital of the Company has been increased from HK$[380,000] to HK$[100,000,000] by the creation of an additional [9,962,000,000] shares of HK$[0.01] each;

(c) Pursuant to the resolutions passed by the sole shareholder of the Company on [●], and subject to the same conditions as stated in the sub-paragraph headed "[REDACTED]" in the section headed "Structure and Conditions of the [REDACTED]" included in the [REDACTED] of the Company, the following have been approved:

(i) The [REDACTED] of [REDACTED] new shares of the Company at [REDACTED] of not more than HK$[REDACTED] per [REDACTED] and not less than HK$[REDACTED] per [REDACTED] (the " [REDACTED]");

(ii) Conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the [REDACTED], the issue of a total of [REDACTED] shares [at par] by the Company to Luxury Booming by way of capitalising an amount of approximately HK$[REDACTED] from the share premium account of the Company ("Capitalisation Issue"); and

(iii) The principal terms of the share option scheme as set out in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to the [REDACTED].]

III. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,

BDO Limited
Certified Public Accountants

[●]
Practising Certificate Number: [●]
Hong Kong